92-2251

A	BRANIFF INC	10Q	04-30-91
B	BRANIFF INC	10Q	10-31-91
C	CAPITAL ACQUISITION CO	10Q	11-30-91
D	C.I.S. TECHNOLOGIES INC	QA	03-31-92
E	COMMERCIAL NATIONAL FINANCIAL CORP (PA)	QA	03-31-92
F	COMSTOCK RESOURCES INC	10Q	03-31-92
G	CRYO-CELL INTERNATIONAL INC	10Q	05-31-92
H	HEALTH-PAK INC	10Q	11-30-91
I	IMAGE SYSTEMS INC	10Q	06-30-91
J	IMAGE SYSTEMS INC	10Q	09-30-91
K	KWIK TRIP FINANCIAL INC	10Q	03-12-92
L	LEZAK GROUP INC	10Q	09-30-91
M	LOGICAL COMPUTER SERVICES OF NEW YORK LTD	10Q	09-30-91
N	NASTECH PHARMACEUTICAL CO INC	10Q	09-30-91
O	NASTECH PHARMACEUTICAL CO INC	10Q	12-31-91
P	NEW WORLD POWER CORP	10Q	12-31-91
Q	PAN AMERICAN ENERGY CORP	10Q	09-30-91
R	SA HOLDINGS INC	10Q	03-31-92
S	SEQUENTIAL INFORMATION SYSTEMS INC	10Q	10-31-91
T	SOUTHERN BANCSHARES (N.C.) INC	10Q	03-31-92
U	TAPE SPECIALTY INC	10Q	10-31-91
V	TRANSAMERICAN PETROLEUM CORP	10Q	01-31-91
W	UNITED COMMUNITY BANKS INC	10Q	03-31-92
X	UNITED LEISURE CORP	10Q	09-30-91
Y	UPSILON INC	10Q	03-31-92
Z	VICUNA INC	10Q	03-31-92
Z	WHY NOT INC	10Q	03-31-92

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD APRIL 30, 1991

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _______________ TO _______________.

Commission File No. 0-11984

RECD S.E.C.
MAR 5 1992
183

BRANIFF, INC.
(Exact name of Registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

255 South Orange Avenue, Suite 875
Orlando, Florida 32801-3752
(Address of principal executive offices, including Zip Code)

75-1918378
(I.R.S. Employer Identification No.)

L30

Registrant's telephone number, including area code: (407) 856-809[illegible]

PROCESSED BY
MAR 1 2 1992

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9955 Benford Road
P.O. Box 328099
Orlando, FL 32862
(Former name, former address and former if changed since last report)

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Q-Data Corp. - St. Petersburg, FL

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES (1) NO _____

On March 1, 1992 three were 14,755,802 shares of Common Stock issued and outstanding.

---

(1) Concurrently herewith the Registrant is filing all delinquent reports required to be filed by the Registrant pursuant to Section 13 of the Securities Exchange Act of 1934.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BRANIFF, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	April 30, 1991	January 31, 1991
	(In thousands)	
ASSETS:		
Current assets		
Cash and short term investments	$ 934	$ 928
Cash and equivalents held in escrow	40,119	39,785
Accounts receivable	24,646	27,748
Inventories	1,118	1,187
Prepaid expenses	1,576	1,771
TOTAL CURRENT ASSETS	68,393	71,419
Property and equipment at cost		
Flight equipment	26,640	27,193
Ground property and equipment	4,620	5,502
Total property and equipment	31,260	32,695
Less:		
Accumulated depreciation & amortization	3,359	3,005
Reserve for loss on disposition of assets	11,666	11,880
	16,235	17,810
Equipment purchase deposits	8,746	8,746
NET PROPERTY & EQUIPMENT	24,981	26,556
Other assets		
LONG-TERM DEPOSITS	9,609	9,808
OTHER	1,700	1,880
TOTAL ASSETS	$ 104,683	$ 109,663

BRANIFF, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	April 30, 1991	January 31, 1991
	(In thousands)	
LIABILITIES:		
Current liabilities		
Accounts Payable		
U.S. transportation taxes	$ (102)	$ (103)
Other	7,571	7,975
Accrued compensation	5,111	5,116
Accrued aircraft rental	8,405	8,405
Accrued interest	404	404
Accrued legal fees	2,056	2,488
Air traffic liability	1,059	1,046
Other accrued liabilities	2,093	2,541
Total current liabilities	26,597	27,872
Estimated pre-petition liabilities subject to Chapter 11 reorganization proceedings	335,520	336,814
Preferred stock - Series B	1,971	1,971
Stockholders' equity (deficiency)		
Stock appreciation right	5,250	5,250
Preferred stock, $0.50 par value (authorized 20,000,000 shares; issued and outstanding, 1,000 shares - Series A)	1	1
Common stock, $0.01 par value (authorized 200,000,000 shares; 14,755,699 issued and outstanding)	147	147
Warrants	9,055	9,055
Additional paid-in capital	27,848	27,848
Accumulated deficit	(301,706)	(299,295)
Total stockholders' equity (deficiency)	(259,405)	(256,994)
Total liabilities	$ 104,683	$ 109,663

BRANIFF, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended April 30, 1991	For the Three Months Ended April 30, 1990
	(In thousands except per share amounts)	
Operating revenues:		
Passenger	$ 0	$ 0
Cargo and mail	0	0
Contract services & other	(1)	183
Total Operating Revenue	(1)	183
Operating expenses:		
Flying and ground operations	(15)	1,259
Aircraft fuel, oil and taxes	(109)	(44)
Maintenance	18	117
Sales and advertising	90	37
Depreciation & amortation	99	1,002
General & Administration	2,026	3,551
Total Operating Expenses	2,109	5,922
Operating loss	(2,108)	(5,739)
Nonoperating income (expense):		
Interest income	149	29
Interest expense - net	0	(2,511)
Special charges due to bankruptcy	0	(30,023)
Other - net	(453)	2,754
Total nonoperating income (expense) - net	(304)	(29,751)
Income (loss) before income taxes	(2,412)	(35,490)
Income taxes	0	0
Net loss	$ (2,412)	$ (35,490)
Loss per share amounts:		
Primary and fully diluted	$ (0.17)	$ (2.41)

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BRANIFF, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended April 30	
	1991	1990
	(In Thousands)	
Cash flows from operating activities:		
Net (Loss) Income	$ (2,411)	$ (35,490)
Adjustments to reconcile net loss to cash provided by operations:		
Depreciation and amortization	90	950
Gain/loss on sales of property/plant/equip		3,097
Write off gates at Kansas City, MO	0	27,430
Forgiveness of Debt		0
Reserve for loss on disposition of assets	256	0
Other		(92)
(Increase) decrease in assets:		
Account Receivable	3,102	(4,404)
Inventories	15	(32)
Prepaid Expenses	195	654
Other Assets	150	590
(Increase) decrease in liabilities:		
Accounts payable	(403)	56
Accrued compensation	(5)	(929)
Accrued interest	0	2,511
Accrued legal fees	(432)	
Other Accrued liabilities	(440)	5,022
Air Traffic liability		(1,350)
Other	(1,082)	0
Net cash provided by (used for) operating activities	(965)	(2,075)
Cash flows from investing activities:		
Proceeds from sale of property and equipment	1,300	0
Capital expenditures	5	601
Additions to fleet integration costs		(318)
Net cash provided by (used for) investing activities	1,305	283
Cash flows from financing activities:		
Repayment of Debt		(1,133)
Cash paid to holders of preferred stock		
Net cash provided by (used for) financing activities		(1,133)
Net decrease in cash and cash equivalents	340	(2,925)
Cash & cash equivalents at beginning of period	40,713	4,428
Cash & cash equivalents at end of period	$ 41,053	$ 1,503

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Note 1. - Chapter 11 Reorganization

On September 28, 1989, Braniff, Inc. ("Braniff" or the "Company") filed a voluntary petition in the United States Bankruptcy Court for the Middle District of Florida, Orlando Division (the "Bankruptcy Court") seeking to reorganize under Chapter 11 of the Federal Bankruptcy Code (the "Code") and is currently operating its business as a debtor-in-possession under the Code, whereby Braniff is authorized to operate its business, but may not engage in transactions outside of the ordinary course of business without approval, after notice and hearing, of the Bankruptcy Court. The filing for protection under the Code was necessary due to a severe liquidity problem.

The filing by Braniff of its voluntary petition for reorganization operated as an automatic stay against the commencement or continuation of any judicial, administrative or other proceedings against Braniff, any act to obtain possession of property of or from Braniff, or any act to create perfect or enforce any lien against property of Braniff, with certain exceptions under the Code. Consequently, Braniff's creditors are prohibited from attempting to collect pre-petition debts without the consent of the Bankruptcy Court. Any creditor may seek relief from the automatic stay and, if applicable, enforce a lien against any security, if authorized to do so by the Bankruptcy Court.

Braniff had the exclusive right for 120 days after the filing of its Chapter 11 petition to file a plan of reorganization, which time has been extended to March 12, 1992.

During the period September 28, 1989 to November 6, 1989, Braniff continued to operate as a scheduled service carrier. On November 6, 1989, Braniff suspended scheduled service operations because such operations were not profitable. Braniff continued to operate a very limited charter service until December 24, 1989 at which point all operations were suspended. Braniff has been in the process of an orderly liquidation since that date, however no plan of reorganization has yet been approved. Prior to the Chapter 11 filing on September 28, 1989, Braniff had approximately 4,800 employees. As of January 31, 1992, Braniff had approximately 11 employees.

The accompanying financial statements have been prepared on a historical cost basis of accounting except as noted below. As a result of the reorganization proceedings, Braniff may sell or otherwise dispose of assets and liquidate or settle liabilities for amounts other than those reflected in the financial statements. The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts (except a reserve for loss on disposition of fixed assets was established to reflect the expected fair market value of those assets), or the amounts and classifications of liabilities that may be necessary as a result of the on-going Chapter 11 proceedings and related matters. It is possible that assets may be liquidated for amounts significantly different from amounts reflected in the financial statements. Additionally, the on-going costs of the Chapter 11 administration, including professional fees, will likely be substantial. Braniff wrote-off goodwill ($64.0 million), fleet integration costs ($6.8 million) and debt issuance costs ($6.2 million).

Pursuant to a letter agreement dated March 22, 1990, which was approved by the Bankruptcy Court on April 23, 1990, the Company agreed to sell to BN Air, Inc., subject to their transferability, certain operating assets of the Company, including the Braniff trade name, Department of Transportation and Federal Aviation Administration operating certificates, various operating and maintenance manuals and programs and various files, records and miscellaneous items and material. The purchase price for such assets approved by the Bankruptcy Court was $313,333.00. The Chairman and Chief Executive Officer of BN Air, Inc., is Jeffrey R. Chodorow, who is a director of the Company and of BIA-Cor Holdings, Inc., which is the majority shareholder of the Company.

Braniff is in the process of liquidating its remaining assets which include certain spare parts and ground equipment.

Substantially all of Braniff's debt and lease obligations are in default under the terms of the applicable loan and lease agreements. From the date of filing, default remedies are stayed and other contractual obligations may not be enforced against Braniff.

Pursuant to the relevant provisions of the Bankruptcy Code, liabilities arising prior to the filing of the petition under Chapter 11 of the Bankruptcy Code may not be paid without prior approval of the Bankruptcy Court. Certain pre-petition liabilities have subsequently have been paid upon approval from the Bankruptcy Court. These liabilities include certain wages, salaries and expense reports for active employees. In addition certain airport facility rents, landing fees, ground equipment rents and long term debt have been settled in connection with the sale or return of the related facilities and assets or the assumption and assignment of the relevant agreements.

Certain parties to executory contracts, including leases, with Braniff may file a motion with the Bankruptcy Court seeking to require Braniff to assume or reject those contracts. Assumption of a contract requires Braniff, among other things, to cure defaults under such contract. Rejection of a contract, which may be done if the contract is found to be onerous and burdensome, constitutes a breach of that contract as of the moment immediately preceding the bankruptcy filing, giving the other party the right to assert a general unsecured claim against the bankruptcy estate for damages arising out of the breach provided however that the creditor may also have an administrative expense claim for the period subsequent to the filing of the petition and prior to the rejection or return of the goods. Braniff has been reviewing its executory contracts and has from time to time assumed or rejected specific contracts.

The following table summarizes estimated pre-petition liabilities as of January 31, 1991 subject to Chapter 11 reorganization proceedings (in thousands):

Accounts Payable	$116,519
Notes Payable	22,326
Accrued Compensation	7,396
Accrued Aircraft Rent	0
Accrued Interest	9,485
Air Traffic Liability	5,021

Other Accrued Expenses	12,261
Long Term Debt	127,932
Accrued Aircraft Maintenance	9,919
Other Non-current Liabilities	3,043
Deferred Federal Income Tax	1,000
Other	12,639
Convertible Debentures	12,720
	$340,261

In addition, other claims may be submitted and may require significant litigation to resolve.

Braniff expects that a portion of its receivables may be subject to set off against an equal amount of estimated unsecured payables. The issue of set off ultimately will be resolved by the Bankruptcy Court.

See the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1991 for information regarding the Registrant and its petition pursuant to Chapter 11 of the Bankruptcy Code.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The undersigned has signed this report in his capacity as chief executive officer appointed by the Bankruptcy Court only on behalf of the Registrant and not in any individual capacity. The undersigned provides no assurance that he knows the financial information provided herein to be correct.

Date: March 4, 1992

BRANIFF, INC.

By: David R. Murchison
David R. Murchison, Chief Executive
Officer Appointed by the Bankruptcy
Court

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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MAR 5 1992
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FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD OCTOBER 31, 1991

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM __________ TO __________.

Commission File No. 0-11984

BRANIFF, INC.

(Exact name of Registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	255 South Orange Avenue, Suite 875 Orlando, Florida 32801-3752 (Address of principal executive offices, including Zip Code)	75-1918378 (I.R.S. Employer Identification No.)

Registrant's telephone number, including area code: (407) 856-8099

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES (1) NO ____

On March 1, 1992 three were 14,755,802 shares of common stock issued and outstanding.

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(1) Concurrently herewith the Registrant is filing all delinquent reports required to be filed by the Registrant pursuant to Section 13 of the Securities Exchange Act of 1934.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BRANIFF, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	October 31, 1991	January 31, 1991
	(In thousands)	
ASSETS:		
Current assets		
Cash and short term investments	$ 604	$ 928
Cash and equivalents held in escrow	49,113	39,785
Accounts receivable	21,442	27,748
Inventories	66	1,187
Prepaid expenses	1,593	1,771
TOTAL CURRENT ASSETS	72,818	71,419
Property and equipment at cost		
Flight equipment	17,406	27,193
Ground property and equipment	1,752	5,502
Total property and equipment	19,158	32,695
Less:		
Accumulated depreciation & amortization	1,067	3,005
Reserve for loss on disposition of assets	15,841	11,880
	2,250	17,810
Equipment purchase deposits	8,746	8,746
NET PROPERTY & EQUIPMENT	10,996	26,556
Other assets		
LONG-TERM DEPOSITS	9,425	9,808
OTHER	1,478	1,880
TOTAL ASSETS	$ 94,717	$ 109,663

③

BRANIFF, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	October 31, 1991	January 31, 1991
	(In thousands)	
LIABILITIES:		
Current liabilities		
Accounts Payable		
U.S. transportation taxes	$ (101)	$ (103)
Other	5,816	7,975
Accrued compensation	5,116	5,116
Accrued aircraft rental	10,200	8,405
Accrued interest	404	404
Accrued legal fees	2,698	2,488
Air traffic liability	1,097	1,046
Other accrued liabilities	2,752	2,541
Total current liabilities	27,982	27,872
Estimated pre-petition liabilities subject to Chapter 11 reorganization proceedings	332,425	336,814
Preferred stock - Series B	1,971	1,971
Stockholders' equity (deficiency)		
Stock appreciation right	5,250	5,250
Preferred stock, $0.50 par value (authorized 20,000,000 shares; issued and outstanding, 1,000 shares - Series A)	1	1
Common stock, $0.01 par value (authorized 200,000,000 shares; 14,755,699 issued and outstanding)	147	147
Warrants	9,055	9,055
Additional paid-in capital	27,848	27,848
Accumulated deficit	(309,962)	(299,295)
Total stockholders' equity (deficiency)	(267,661)	(256,994)
Total liabilities	$ 94,717	$ 109,663

BRANIFF, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Nine Months Ended October 31,		For the Three Months Ended October 31,	
	1991	1990	1991	1990
	(in thousands except per share amounts)			
Operating revenues:				
Passenger	$ 0	$ 0	$ 0	$ 0
Cargo and mail	1	(7)	0	0
Contract services & other	(6)	242	(2)	27
Total Operating Revenue	(5)	235	(2)	27
Operating expenses:				
Flying and ground operations	51	887	(23)	(406)
Aircraft fuel, oil and taxes	(460)	36	(61)	36
Maintenance	(12)	190	7	96
Sales and advertising	165	48	(8)	(25)
Depreciation & amortation	261	1,721	69	203
General & Administration	6,645	13,180	1,905	4,022
Total Operating Expenses	6,650	16,062	1,889	3,926
Operating loss	(6,645)	(15,827)	(1,887)	(3,899)
Nonoperating income (expense):				
Interest income	1,943	835	521	709
Interest expense - net	0	(88)	0	(404)
Special charges due to bankruptcy	0	(40,801)	0	0
Other - net	(5,965)	285	7,393	361
Total nonoperating income (exp) - net	(4,022)	(39,769)	7,914	666
Income (loss) before income taxes	(10,667)	(55,596)	6,027	(3,233)
Income taxes	0	0	0	0
Net loss	$ (10,667)	$ (55,596)	$ 6,027	$ (3,233)
Loss per share amounts:				
Primary and fully diluted	$ (0.73)	$ (3.77)	$ 0.41	$ (0.22)

(5)

BRANIFF, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended October 31	
	1991	1990
	(In Thousands)	
Cash flows from operating activities:		
Net Loss	$ (10,667)	$ (55,596)
Adjustments to reconcile net loss to cash provided by operations:		
Depreciation and amortization	262	1,667
Gain/loss on sales of property/plant/equip		543
Write off gates at Kansas City, MO		27,430
Forgiveness of Debt		1,077
Reserve for loss on disposition of assets	5,816	7,975
Other		44
(Increase) decrease in assets:		
Account Receivable	6,306	(745)
Inventories	(86)	6,803
Prepaid Expenses	178	(65)
Other Assets	305	183
(Increase) decrease in liabilities:		
Accounts payable	(2,157)	204
Accrued compensation		(940)
Accrued interest		684
Accrued legal fees	210	
Other Accrued liabilities	211	2,475
Air Traffic liability		(244)
Other	(2,309)	0
Net cash provided by (used for) operating activities	(1,931)	(8,505)
Cash flows from investing activities:		
Capital expenditures	1	(759)
Additions to fleet integration costs		(318)
Proceeds of sale of assets	10,934	48,626
Net cash provided by (used for) investing activities	10,935	47,549
Cash flows from financing activities:		
Repayment of Debt	0	(41,799)
Net cash provided by (used for) financing activities	0	(41,799)
Net decrease in cash and cash equivalents	9,004	(2,898)
Cash & cash equivalents at beginning of period	40,713	4,428
Cash & cash equivalents at end of period	$ 49,717	$ 1,530

BRANIFF, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. - Chapter 11 Reorganization

On September 28, 1989, Braniff, Inc. ("Braniff" or the "Company") filed a voluntary petition in the United States Bankruptcy Court for the Middle District of Florida, Orlando Division (the "Bankruptcy Court") seeking to reorganize under Chapter 11 of the Federal Bankruptcy Code (the "Code") and is currently operating its business as a debtor-in-possession under the Code, whereby Braniff is authorized to operate its business, but may not engage in transactions outside of the ordinary course of business without approval, after notice and hearing, of the Bankruptcy Court. The filing for protection under the Code was necessary due to a severe liquidity problem.

The filing by Braniff of its voluntary petition for reorganization operated as an automatic stay against the commencement or continuation of any judicial, administrative or other proceedings against Braniff, any act to obtain possession of property of or from Braniff, or any act to create perfect or enforce any lien against property of Braniff, with certain exceptions under the Code. Consequently, Braniff's creditors are prohibited from attempting to collect pre-petition debts without the consent of the Bankruptcy Court. Any creditor may seek relief from the automatic stay and, if applicable, enforce a lien against any security, if authorized to do so by the Bankruptcy Court.

Braniff had the exclusive right for 120 days after the filing of its Chapter 11 petition to file a plan of reorganization, which time has been extended to March 12, 1992.

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Substantially all of Braniff's debt and lease obligations are in default under the terms of the applicable loan and lease agreements. From the date of filing, default remedies are stayed and other contractual obligations may not be enforced against Braniff.

Pursuant to the relevant provisions of the Bankruptcy Code, liabilities arising prior to the filing of the petition under Chapter 11 of the Bankruptcy Code may not be paid without prior approval of the Bankruptcy Court. Certain pre-petition liabilities have subsequently have been paid upon approval from the Bankruptcy Court. These liabilities include certain wages, salaries and expense reports for active employees. In addition certain airport facility rents, landing fees, ground equipment rents and long term debt have been settled in connection with the sale or return of the related facilities and assets or the assumption and assignment of the relevant agreements.

Certain parties to executory contracts, including leases, with Braniff may file a motion with the Bankruptcy Court seeking to require Braniff to assume or reject those contracts. Assumption of a contract requires Braniff, among other things, to cure defaults under such contract. Rejection of a contract, which may be done if the contract is found to be onerous and burdensome, constitutes a breach of that contract as of the moment immediately preceding the bankruptcy filing, giving the other party the right to assert a general unsecured claim against the bankruptcy estate for damages arising out of the breach provided however that the creditor may also have an administrative expense claim for the period subsequent to the filing of the petition and prior to the rejection or return of the goods. Braniff has been reviewing its executory contracts and has from time to time assumed or rejected specific contracts.

The following table summarizes estimated pre-petition liabilities as of January 31, 1991 subject to Chapter 11 reorganization proceedings (in thousands):

Accounts Payable	$115,757
Notes Payable	22,320
Accrued Compensation	7,397
Accrued Aircraft Rent	0
Accrued Interest	9,448
Air Traffic Liability	5,037

Other Accrued Expenses	13,739
Long Term Debt	127,432
Accrued Aircraft Maintenance	9,919
Other Non-current Liabilities	3,043
Deferred Federal Income Tax	1,000
Other	12,517
Convertible Debentures	12,720
	$340,329

In addition, other claims may be submitted and may require significant litigation to resolve.

Braniff expects that a portion of its receivables may be subject to set off against an equal amount of estimated unsecured payables. The issue of set off ultimately will be resolved by the Bankruptcy Court.

See the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1991 for information regarding the Registrant and its petition pursuant to Chapter 11 of the Bankruptcy Code.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The undersigned has signed this report in his capacity as chief executive officer appointed by the Bankruptcy Court only on behalf of the Registrant and not in any individual capacity. The undersigned provides no assurance that he knows the financial information provided herein to be correct.

BRANIFF, INC.

Date: March 4, 1992

By: David R Murchison
David R. Murchison, Chief Executive
Officer Appointed by the Bankruptcy
Court

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **November 30, 1991**

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission File No. **33-28622-A**

CAPITAL ACQUISITION COMPANY

(Exact name of registrant as specified in its charter)

Florida (State or other jurisdiction of incorporation or organization)	**22-2748288** (I.R.S. Employer Identification No.)
2666 Tiger Tail Avenue, Suite 111 **Coconut Grove, Florida** (Address of principal executive offices)	**33133** (Zip Code)

(305) 856-5050
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ______

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

2,070,000 shares of common stock, $.01 par value
as of May 31, 1992

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CAPITAL ACQUISITION COMPANY

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CAPITAL ACQUISITION COMPANY
(A Development Stage Company)

BALANCE SHEETS

	November 30, 1991 (Unaudited)	February 28, 1991 (Audited)
ASSETS		
Cash	$ -	$ 794
Due from shareholder	711	3,697
Deferred organizational costs	2,851	2,851
TOTAL ASSETS	$ 3,562	$ 7,342
CURRENT LIABILITIES & STOCKHOLDERS' EQUITY		
Accounts Payable and other liabilities	$ 8,996	$ 3,333
Stockholders' equity		
Common stock - par value $.01: 50,000,000 Shares authorized 2,070,000 issued and outstanding	20,700	20,700
Capital in excess of par	18,243	18,243
Accumulated deficit during the development stage	(44,377)	(34,934)
	(5,434)	4,009
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 3,562	$ 7,342

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

CAPITAL ACQUISITION COMPANY
(A Development Stage Company)

STATEMENTS OF REVENUES, EXPENSES AND ACCUMULATED DEFICIT

	Three Months Ended November 30, 1991	Three Months Ended November 30, 1990	Six Months Ended November 30, 1991	Six Months Ended November 30, 1990	Period from June 18, 1986 Inception to November 30, 1991
Revenues:					
Interest income	$ -	$ 35	$ -	$ 291	$ 776
Expenses:					
Legal & accounting	975	1,219	7,497	3,626	34,019
Other	311	132	1,946	557	11,134
	1,286	1,351	9,443	4,183	45,153
Net loss	(1,286)	(1,316)	(9,443)	(3,892)	(44,377)
Accumulated deficit beginning of period	(43,091)	(32,386)	(34,934)	(29,810)	-
Accumulated deficit as of period	$(44,377)	$(33,702)	$(44,377)	$(33,702)	$(44,377)
Net loss per share of common stock	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.02)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

CAPITAL ACQUISITION COMPANY
(A Development Stage Company)

STATEMENTS OF CASH FLOW

	Nine Months Ended November 30, 1991	Nine Months Ended November 30, 1990	Period from June 18, 1986 Inception to November 30, 1991
Cash flows from operations:			
Net loss	$(9,443)	$(3,892)	$(44,377)
Adjustments to reconcile net loss to net cash used by operations:			
Decrease (increase) in due from shareholder	2,986	-	(711)
Decrease (increase) in deferred costs	-	-	(2,851)
Increase (decrease) in accounts payable and other liabilities	5,663	(238)	8,996
Cash used in operations	(794)	(4,130)	(38,943)
Cash flows from financing activities:			
Proceeds from issuance of common stock	-	-	38,943
Net increase (decrease) in cash	(794)	(4,130)	-
Cash at beginning of period	794	9,452	-
Cash at end of period	$ -	$ 5,322	$ -

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

CAPITAL ACQUISITION COMPANY
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

A. ORGANIZATION

Capital Acquisition Company (the "Company") is a Florida corporation formed on June 18, 1986 for the purpose of providing an entity to raise capital for the acquisition of businesses.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Statements

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and nine months ended November 30, 1991 are not necessarily indicative of the results that may be expected for the year ended February 28, 1992. These statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended February 28, 1991.

Net Loss Per Common Share

Net loss per common share is computed based on the weighted average number of shares outstanding during the period. Warrants outstanding exercisable at prices below the Company's recently completed public offering price have been included in the computation of net loss per common share in the accompanying financial statements.

Deferred Organizational Costs

Organization costs represent those costs associated with the organization of the Company. These costs will be amortized by the straight line method over a five year period when operations commence.

C. STOCKHOLDERS' EQUITY

In June 1986, the Company sold 1,800,000 shares of its common stock for an aggregate price of $36,000.

During January 1989, the Company issued to its officers and a former officer options to purchase 200,000 shares of common stock at $.05 per share and 100,000 shares of common stock at $.075 per share. The options exercisable at $.05 per share expire eighteen months after issuance, while the $.075 per share options expire three years after issuance. As of the date of this report, all options have expired by their terms.

On September 7, 1989, the Company completed its public offering selling 6,750 units, each unit consisting of 40 shares of common stock and 400 redeemable common stock purchase warrants for a gross sales price of $40,500 and netting the Company $2,943 after deduction of related expenses. As of the date of this report, all warrants have expired by their terms.

ITEM 2: Management's Discussion and Analysis of Financial Condition and Results of Operation

OPERATIONS

For the nine months ended November 30, 1991 and 1990, the Company received $0 and $291 of interest income, respectively.

For the nine months ended November 30, 1991 and 1990, the Company incurred expenses, consisting of legal, accounting and administrative of $9,443 and $4,183, respectively.

For the three months ended November 30, 1990 and 1989, the Company received $0 and $35 of interest income, respectively.

For the three months ended November 30, 1990 and 1989, the Company incurred expenses, consisting of legal, accounting and administrative of $1,286 and $1,351, respectively.

LIQUIDITY

Cash balances of the Company decreased from $794 at February 28, 1991 to $- at November 30, 1991. The decrease in cash is due to operational costs.

The working capital of the Company will be insufficient to enable the Company to engage in a business endeavor chosen by Management, unless additional capital is raised or the acquisition is made by the issuance of securities of the Company.

PART II. Other Information

Item 1. Legal Proceedings:

None

Item 2. Changes in Securities:

On December 31, 1991, the 2,700,000 warrants issued in connection with Company's public offering expired by their terms.

Item 3. Defaults upon Senior Securities:

None.

Item 4. Submission of Matters to a Vote of Security Holders:

None

Item 5. Other Information:

None

Item 6. Exhibits and Reports on Form 8-K:

(a) Exhibits:

None

(b) Reports on Form 8-K:

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereto duly authorized.

CAPITAL ACQUISITION COMPANY
Registrant

JUNE 30, 1992

By: ____________________
Jack Sullivan, Chairman of the Board, President, Chief Executive and Financial Officer and Director

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 8

AMENDMENT TO APPLICATION OR REPORT
Filed pursuant to Section 12, 13 or 15(d) of
THE SECURITIES EXCHANGE ACT OF 1934

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C.I.S. TECHNOLOGIES, INC.

(Exact name of Registrant as specified in charte

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AMENDMENT NO. 1

L3Q

The undersigned registrant hereby amends the following items, financial statements, exhibits or other portions of its Quarterly Report for the quarterly period ended March 31, 1992 on Form 10-Q as set forth in the pages attached hereto.

Consolidated Statements of Cash Flows

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

C.I.S. TECHNOLOGIES, INC.
(Registrant)

By Richard A Evans
Richard A. Evans
Chief Financial Officer and Treasurer

Date: May 13, 1992

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Page 1 of 2

C.I.S TECHNOLOGIES, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	Three months ended March 31, 1992 (Unaudited)	Three months ended March 31, 1991 (Unaudited)
OPERATING ACTIVITIES:		
Net income	$ 411,873	$ 134,390
Noncash items:		
Depreciation and amortization	440,659	216,755
Provision for bad debts	-	7,911
Accrued rent obligation	54,599	54,601
Other	19,824	(2,258)
Deposits	(27,182)	(3,895)
Payment of accrued rental obligation	(74,119)	(30,986)
Net change in operating assets and liabilities	(739,120)	280,946
Cash provided by operating activities	87,534	657,464
INVESTING ACTIVITIES:		
Additions to property and equipment	(552,507)	(356,047)
Additions to other assets	(5,080)	(171,689)
Purchases of marketable securities	—	(237,795)
Sales of marketable securities	—	1,377,241
Cash provided by (used in) investing activities	(557,587)	611,710
FINANCING ACTIVITIES:		
Repayment of long term debt	(10,947)	(9,717)
Payment of capital lease obligations	(52,696)	(10,125)
Proceeds from exercise of employee stock options	37,729	27,442
Purchase of treasury stock	—	(1,054,043)
Cash (used in) financing activities	(25,914)	(1,046,443)
Net increase (decrease) in cash and cash equivalent during the period	(496,967)	222,731
Cash and cash equivalents at the beginning of the period	1,943,662	1,099,006
Cash and cash equivalents at the end of the period	$ 1,447,695	$ 1,321,737
SUPPLEMENTAL DISCLOSURES:		
Interest paid	$ 33,801	$ 8,874
Income taxes paid	$ 537,375	$ —

See accompanying notes to consolidated financial statements.

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FORM 8

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT TO APPLICATION OR REPORT
Filed Pursuant to Section 12, 13 or 15(d) of
THE SECURITIES EXCHANGE ACT OF 1934

COMMERCIAL NATIONAL FINANCIAL CORPORATION /PA
(Exact name of registrant as specified in its charter)

AMENDMENT NO. 1

The undersigned registrant hereby amends the following items, financial statements, exhibits or other portions of its Quarterly Report on Form 10-Q for the quarter ending March 31, 1992 as set forth in the pages attached hereto.

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Item 1. Consolidated Statement of Income

Item 2. Credit Quality Risk

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

COMMERCIAL NATIONAL FINANCIAL CORPORATION
(Registrant)

By Lois J. Lazarchik
Lois J. Lazarchik, Secretary/Treasurer
and Chief Financial Officer

Date: August 7, 1992

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Pages included:

Item 1. Consolidated Statement of Income. . . . . P. 4

Item 2. Credit Quality Risk . . . . P. 11

COMMERCIAL NATIONAL FINANCIAL CORPORATION

CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

	March 31 1992	March 31 1991
INTEREST INCOME:		
Interest and fees on loans	$ 3,039,040	$ 2,834,146
Interest and dividends on investments:		
Taxable	1,141,036	1,040,158
Exempt from federal income taxes	329,419	333,374
Interest on federal funds sold	80,978	148,061
Interest on bank deposits	85,614	120,055
Total Interest Income	4,676,087	4,475,794
INTEREST EXPENSE		
Interest on deposits	2,049,373	2,398,958
NET INTEREST INCOME	2,626,714	2,076,836
PROVISION FOR POSSIBLE LOAN LOSSES	105,000	90,000
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN LOSSES	2,521,714	1,986,836
OTHER INCOME		
Service charges on deposit accounts	115,266	113,953
Other service charges and fees	99,556	71,347
Other income	50,001	41,178
Total Other Income	264,823	226,478
OTHER EXPENSES		
Salaries and employee benefits	886,719	835,559
Net occupancy expense	102,323	97,530
Furniture and equipment expense	91,286	81,234
Other expenses	721,238	585,168
Total Other Expenses	1,801,566	1,599,491
INCOME BEFORE INCOME TAXES	984,971	613,823
Applicable income taxes	230,300	106,400
NET INCOME	$ 754,671	$ 507,423
Average Shares Outstanding	600,000	600,000
EARNINGS PER COMMON SHARE	$ 1.26	$ .85
CASH DIVIDENDS DECLARED PER SHARE	$ .32	$ .30

The accompanying notes are an integral part of these consolidated financial statements.

CREDIT QUALITY RISK

The following table presents a comparison of loan performance as of March 31, 1992 with that of March 31, 1991. Non-accrual loans are those for which interest income is recorded only when received and past due loans are those which are contractually past due 90 days or more in respect to interest or principal payments.

	At March 31,	
	1992	1991
	(amounts in thousands)	
Non-performing Loans:		
Loans on non-accrual basis	$ 429,290	$ 95,702
Past due loans	124,959	50,775
Total Non-performing Loans	$ 554,249	$ 146,477
Loans outstanding at end of period	$ 115,599,738	$ 102,848,965
Average loans outstanding (year-to-date)	$ 113,862,348	$ 102,043,266
Non-performing loans as percent of total loans	.48%	.14%
Provision for possible loan losses	$ 105,000	$ 90,000
Net charge-offs	$ 44,614	$ 25,043
Net charge-offs as percent of average loans	.04%	.02%
Provision for possible loan losses as percent of net charge-offs	235.35%	359.38%
Reserve for possible loan losses as percent of average loans outstanding	.09%	1.19%

CAPITAL RESOURCES

Shareholders' equity for the first three months of 1992 averaged $22,490,072 which represented an increase of $1,953,781 over the average capital of $20,536,291 recorded in the same period of 1991. These capital levels represented a capital ratio of 10.57% in 1992 and 10.62% in 1991. When the loan loss reserve is included, the 1992 capital ratio becomes 11.22%. Under proposed guidelines the ratio of average capital to risk based assets as of March 31, 1992 is 20.15%.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

✓ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For The Quarter Ended March 31, 1992

OR

_ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)**

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Commission File No. 0-16741

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COMSTOCK RESOURCES, INC.
(Exact name of registrant as specified in its charter)

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NEVADA (State or other jurisdiction of incorporation or organization)	**94-1667468** (I.R.S. Employer Identification Number)

L3Q

5005 LBJ Freeway, Suite 1000, Dallas, Texas 75244
(Address of principal executive offices)

Telephone No.: (214) 701-2000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days.
Yes _X_ No ____

	Date	Shares
Outstanding Common Stock ($0.50 par value)	5/19/92	7,286,827

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COMSTOCK RESOURCES, INC.

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Consolidated Statements of Operations - Three months ended March 31, 1992 and 1991 5
Consolidated Statement of Stockholders' Equity - Three months ended March 31, 1992 6
Consolidated Statements of Cash Flows - Three months ended March 31, 1992 and 1991 7
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 1992 (Unaudited)	December 31, 1991
Cash and Equivalents	$ 1,604,451	$ 1,473,784
Accounts Receivable:		
Oil and gas sales	937,943	1,234,239
Joint interest operations	1,178,983	1,701,659
Other	375,000	545,000
Prepaid Expenses and Other	130,764	235,584
Inventory	87,962	118,549
Due from Affiliate	714,789	714,789
Total current assets	5,029,892	6,023,604
Notes Receivable - noncurrent	325,000	325,000
Property and Equipment:		
Unevaluated oil and gas leases	2,999,090	2,930,090
Oil and gas properties, successful efforts method	60,587,010	60,546,578
Pipeline and related equipment	400,000	400,000
Other	422,311	425,246
Accumulated depreciation, depletion and amortization	(20,018,704)	(19,517,930)
Net property and equipment	44,389,707	44,783,984
Other Assets	704,002	811,309
	$ 50,448,601	$ 51,943,897

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1992 (Unaudited)	December 31, 1991
Current Portion of Long-term Debt	$ 348,739	$ 299,717
Accounts Payable and Accrued Expenses	4,603,258	5,580,805
Total current liabilities	4,951,997	5,880,522
Long-term Debt, less current portion	7,546,931	7,542,888
Deferred Revenue	16,338,549	16,685,651
Other Noncurrent Liabilities	3,053,900	2,984,692
Stockholders' Equity:		
Common stock - $.50 par, 15,000,000 shares authorized	3,643,414	3,643,414
Additional paid-in capital	33,980,274	33,980,274
Retained earnings (deficit)	(18,828,418)	(18,522,607)
Less: Deferred compensation - restricted stock	(238,046)	(250,937)
Total stockholders' equity	18,557,224	18,850,144
	$ 50,448,601	$ 51,943,897

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Three Months Ended March 31,
(Unaudited)

	1992	1991 (Restated)
Revenues:		
Oil and gas sales	$ 1,267,921	$ 553,749
Pipeline income	57,926	-
Rental income	-	9,740
Gains on sales of property	-	27,661
Other income	62,709	20,995
Total revenues	1,388,556	612,145
Expenses:		
Oil and gas operating	571,411	353,586
Pipeline operating	45,076	-
Real estate operating	-	9,380
Depreciation, depletion and amortization	554,114	308,653
General and administrative	353,075	371,364
Interest	170,691	82,208
Total expenses	1,694,367	1,125,191
Loss before income taxes	(305,811)	(513,046)
Provision for income taxes	-	-
Net loss	$ (305,811)	$ (513,046)
Net loss per share	$ (0.04)	$ (0.08)
Weighted average shares outstanding	7,286,827	6,646,831

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the Three Months Ended March 31, 1992
(Unaudited)

	Shares	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Deferred Compensation-Restricted Stock	Total
Balance at December 31, 1991	7,286,827	$ 3,643,414	$ 33,980,274	$ (18,522,607)	$ (250,937)	$ 18,850,144
Restricted stock grants	-	-	-	-	12,891	12,891
Net loss	-	-	-	(305,811)	-	(305,811)
Balance at March 31, 1992	7,286,827	$ 3,643,414	$ 33,980,274	$ (18,828,418)	$ (238,046)	$ 18,557,224

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31,
(Unaudited)

	1992	1991 (Restated)
Cash flows from operating activities:		
Net loss	$ (305,811)	$ (513,046)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Restricted stock grants	12,891	-
Depreciation, depletion and amortization	554,114	308,653
Deferred revenue amoritization	(347,102)	-
Amortization of discounts	82,762	47,852
Gains on sales of property	-	(27,661)
Decrease in accounts receivable	988,972	156,373
Decrease (increase) in prepaid expenses	104,820	(901)
Increase (decrease) in accounts payable and accrued expenses	(885,884)	220,185
	510,573	704,501
Net cash provided by operating activities	204,762	191,455
Cash flows from investing activities:		
Proceeds from sales of properties	50,000	17,274
Payments received on notes receivable	-	10,504
Capital expenditures	(157,246)	(434,355)
Net cash used for investing activities	(107,246)	(406,577)
Cash flows from financing activities:		
Borrowings	56,755	-
Principal payments on debt	(23,604)	(14,120)
Stock issuance costs	-	(6,587)
Repayment of advances to affiliate	-	2,978
Net cash used for financing activities	33,151	(17,729)
Net increase (decrease) in cash and equivalents	130,667	(232,851)
Cash and equivalents, beginning of year	1,473,784	357,621
Cash and equivalents, end of quarter	$ 1,604,451	$ 124,770

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1992 and 1991
(Unaudited)

(1) SIGNIFICANT ACCOUNTING POLICIES -

Basis of Presentation -

In management's opinion, the accompanying consolidated financial statements contain all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position of Comstock Resources, Inc. and subsidiaries (the "Company") as of March 31, 1992 and the related results of operations and cash flows for the three months ended March 31, 1992 and 1991.

The accompanying unaudited financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the Company's financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

The results of operations for the three months ended March 31, 1992 and 1991, are not necessarily indicative of the results expected for the full year.

Change to Successful Efforts Accounting Method -

During the fourth quarter of 1991, the Company changed the method of accounting for its oil and gas operations from the full cost method to the successful efforts method. The accompanying consolidated financial statements for the three months ended March 31, 1991 have been restated to reflect this accounting change. The change in accounting method resulted in changes to the reported net loss and net loss per share as reflected in the table below.

		Per Share
Net loss as previously reported	$ (433,098)	$ (.07)
Adjustment for the effect of the change in accounting method	(79,948)	(.01)
Net loss as restated	$ (513,046)	(.08)

Supplementary Information with Respect to the Statements of Cash Flows -

The Company paid cash for interest of $143,000 and $144,000 during the three months ended March 31, 1992 and 1991, respectively. No cash for income taxes was paid in the three months ended March 31, 1992 and 1991.

Capitalized Interest -

The Company capitalizes carrying costs relating to its unevaluated oil and gas leases including interest and related financing costs. During the three months ended March 31, 1992 and 1991, interest and related financing costs of $62,147 and $134,713, respectively, were capitalized.

Deferred Revenue -

In connection with the acquisition of certain oil and gas properties in November 1991, the Company sold a production payment for $17.1 million. The Company is required to deliver approximately 13.5 Bcf of natural gas from the acquired properties through November 1999 under the production payment. As of March 31, 1992, the Company had 13 Bcf of natural gas remaining to deliver under the production payment. The Company recognizes revenues from the prepayment as deliveries of production are made.

(2) SALE OF REAL ESTATE AND MINING ASSETS -

On December 31, 1991, the Company entered into an agreement to sell all of its remaining Nevada real estate and mining assets including the common stock of Sutro Tunnel Company, a wholly owned subsidiary, for $625,000 in cash and a promissory note for $325,000 which bears interest at 7% and matures on April 30, 1993. The note is secured by a first deed of trust on certain of the real estate sold. The assets were sold to a corporation managed by a former employee of the Company.

(3) SUBSEQUENT EVENTS -

On April 8, 1992, the Company and Liberty formed the 1992 Oil and Gas Development Venture (the "1992 Venture") which will continue to develop the Company's Texas Panhandle Field properties as well as other prospects generated by the Company. Under the 1992 Venture, Liberty has agreed to fund up to $5 million annually in each of the three years ending March 31, 1993, 1994 and 1995. The 1992 Venture commits Liberty, each year, to fund $4 million plus the lesser of $1 million or the combined operating cash flow from the 1991 Venture and the 1992 Venture from the preceding twelve month period ending March 31. Liberty received warrants to purchase an additional 150,000 shares of the Company's common stock at $2.25 per share in consideration for entering into the 1992 Venture.

In a related transaction, the Company entered into an agreement with Liberty to acquire interests in approximately 120 producing wells located primarily in Oklahoma and Arkansas. The properties have proved reserves of approximately 12.5 Bcf of natural gas and 58,000 barrels of oil as of December 31, 1991. The Company has agreed to pay $3.5 million in cash and exchange 10% of the Company's interest in its undeveloped acreage on the Bivins and Sneed Ranch leases in the Texas Panhandle Field for the properties to be acquired from Liberty.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

Financial Position -

Total assets at March 31, 1992 were $50.4 million as compared to total assets at December 31, 1991 of $51.9 million. The decrease is attributable to depreciation, depletion and amortization for the quarter and a decrease in accounts receivable. At March 31, 1992 the Company had working capital of $78,000, a slight decrease from working capital of $143,000 at December 31, 1991.

Sources and Uses of Capital Resources -

During the three months ended March 31, 1992, the primary sources of capital resources were net cash from operations of $205,000 and proceeds from sales of properties of $50,000 which, with available working capital,were used to fund capital expenditures of $157,000.

At March 31, 1992, the Company's joint venture with Liberty Life Insurance Company ("Liberty") formed in 1991, the 1991 Oil and Gas Development Venture (the "1991 Venture"), completed its development program. The Venture expended approximately $4 million in developing the Company acreage in the Texas Panhandle Field, drilling a developmental gas well in Oklahoma and acquiring a 10.7% interest in the Bryan Austin Chalk unit, as well as funding the costs of the first horizontal test well to be drilled on the unit in June 1992. Liberty receives 50% to 90% of the 1991 Venture's revenues as a result of its funding of 100% of the 1991 Venture's development expenditures. The Company received $10,000 to $20,000 for acreage and wellbores for each well site contributed to the 1991 Venture in addition to 10% to 50% of the Venture's revenues. In April 1992, Liberty agreed to enter into the 1992 Venture under substantially the same terms as the 1991 Venture. The 1992 Venture commits Liberty to fund up to $5 million a year for the years ended March 31, 1993, 1994 and 1995 for the development of the Company's Texas Panhandle Field acreage as well as other projects generated by the Company.

In April 1992, the Company entered into an agreement with Liberty to acquire interests in approximately 120 producing wells located primarily in Oklahoma and Arkansas. The properties have proved reserves of approximately 12.5 Bcf of natural gas and 58,000 barrels of oil as of December 31, 1991. The Company has agreed to pay $3.5 million in cash and exchange 10% of the Company's interest in its undeveloped acreage on the Bivins and Sneed Ranch leases in the Texas Panhandle Field for the properties to be acquired from Liberty. The Company is currently seeking financing for the cash portion of the purchase price. There can be no assurances that the Company will be able to obtain financing on terms acceptable to the Company.

Results of Operations

Earnings -

The Company reported a net loss of $306,000 for the three months ended March 31, 1992 as compared to a net loss of $513,000 for the three months ended March 31, 1991. Net loss per share for the first quarter of 1992 was 4¢ on weighted average shares of 7.3 million versus a net loss per share of 8¢ on weighted average shares of 6.6 million for the first quarter of 1991.

Revenues -

Revenues for the three months ended March 31, 1992 were $1.4 million, a 127% increase from total revenues of $612,000 for the same period in 1991. The increase is attributed to higher oil and gas sales which were $1.3 million for the three months ended March 31, 1992 as compared to $554,000 for the three months ended March

31, 1991. Oil production for the first three months of 1992 was 32,300 barrels which was sold at an average price of $17.43 per barrel as compared to 21,500 barrels sold at an average price of $21.10 per barrel for the first three months of 1991. Gas production for the first three months of 1992 was 487,000 mcf which was sold at an average price of $1.39 per mcf as compared to 67,000 mcf sold at an average price of $1.48 per mcf for the first three months of 1991. The increase in production in the first quarter is attributable to the oil and gas property acquisitions made in June and November 1991.

Expenses -

Total expenses increased from $1.1 million for the three months ended March 31, 1991 to $1.7 million for the three months ended March 31, 1992. The increase is primarily due to higher oil and gas operating costs, depreciation, depletion and amortization and interest expense. General and administrative expenses were $353,000 for the first quarter of 1991 which was slightly less than general and administrative expenses of $371,000 for the first quarter of 1991.

Oil and gas operating expenses increased to $571,000 in the first quarter of 1992, as compared to $354,000 in the first quarter of 1991. The increase related to operating costs of the properties acquired in 1991. Lifting costs per equivalent barrel for the first quarter of 1992 were $5.04 per barrel as compared to $10.84 per barrel in the first quarter of 1991.

Depreciation, depletion and amortization for the first three months of 1992 was $554,000 as compared to $309,000 in the first three months of 1991. The increase is attributable to the amortization of debt issuance costs associated with the Company's revolving credit facility entered into in July 1991 and higher depreciation and depletion on the Company's oil and gas properties. Depletion and depreciation relating to the Company's oil and gas properties increased due to costs and production attributable to the 1991 oil and gas property acquisitions. Depletion and depreciation per equivalent unit of production was $4.19 per equivalent barrel for the first quarter of 1992 as compared to $8.15 per equivalent barrel for the first quarter of 1991.

Interest expense for the three months ended March 31, 1992 was $171,000 as compared to $82,000 for the first three months of 1991. The increase is a result of the increase in debt outstanding including the $2 million non-recourse production payment liability, combined with a lesser amount of interest capitalized on the Company's unevaluated oil and gas leases during the first quarter of 1992.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits - None

b. Reports on Form 8-K -

Current reports on Form 8-K filed during the first quarter of 1992 and to the date of this filing are as follows:

Report Date	Item No.	Subject of Report
January 24, 1992	Item 2	Amendment No. 1 to November 12, 1991 Report on acquisition of oil and gas properties from Goodrich Oil Company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMSTOCK RESOURCES, INC.

Date May 19, 1992

M. Jay Allison

M. Jay Allison, President and
Chief Executive Officer

Date May 19, 1992

Roland O. Burns

Roland O. Burns, Chief Financial
Officer, Treasurer, and Principal
Accounting Officer

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SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10Q

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(Mark One)

/ X / Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the quarterly period ended May 31, 1992.

/ / Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the transition period from ________ to ________

Commission File Number 33-34360-NY

CRYO-CELL INTERNATIONAL, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE	**22-3023093**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1900 Grand Avenue, Baldwin, New York 11510
(Address of principal executive offices) (Zip Code)

Registrant's phone number, including area code: **(516)223-5050**

(Former name, former address and former fiscal year, if changed since last report).

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by section 13 or 15 (d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes / X / No / /

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date. As of May 31, 1992, 6,040,370 shares of $0.01 par value common stock were outstanding.

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CRYO - CELL INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS

ASSETS

	May 31, 1992 (Unaudited)	November 30, 1991 (Audited)
Current Assets		
Cash	$682,444	$141,735
Prepaid expenses and other current asset	8,740	3,162
Investments	0	98,660
Loan receivable	0	0
Total current assets	691,184	243,557
Fixed Assets		
Furniture and equipment	115,198	96,899
Leasehold improvements	11,762	4,554
	126,961	101,453
Less: Accumulated depreciation	33,130	21,342
Net fixed assets	93,830	80,111
Other Assets		
Security Deposits	4,618	3,485
Deferred public offering costs	0	84,496
Patent application costs (net of accumulated amortization)	298,666	235,035
Trademark costs (net of accumulated amortization)	16,035	16,622
Organization costs (net of accumulated amortization)	700	800
Total other assets	320,018	340,438
TOTAL ASSETS	$1,105,032	$664,106

See the accompanying notes to consolidated financial statements.

CRYO - CELL INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	May 31, 1992 (Unaudited)	November 30, 1991 (Audited)
Current Liabilities		
Accounts payable and accrued expenses	$80,496	$125,358
Due to officers	0	0
Loans payable (Note 3)	0	130,000
Total current liabilites	80,496	255,358
Minority Interest	492,728	0
Stockholders Equity (Deficit)		
Common Stock, (15,000,000 $.01 par value common shares authorized; issued and outstanding $6,037,870 at November 30,1991; 6,040,370 shares at May 31, 1992 issued and outstanding)	60,404	60,379
Additional paid-in capital	1,865,178	1,420,600
Deficit accumulated during the development stage	(1,393,774)	(1,072,231)
Total Stockholders' Equity	$31,807	408,748
TOTAL LIABILITES AND STOCKHOLDERS' EQUITY (DEFICIT)	$1,105,032	$664,106

See the accompanying notes to consolidated financial statements.

CRYO - CELL INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENT OF LOSS

	Three Months Ended		Year to Date	
	May 31, 1992 (Unaudited)	May 31, 1991 (Unaudited)	May 31, 1992 (Unaudited)	May 31, 1991 (Unaudited)
Income	$0	$0	$0	$0
Costs and expenses:				
Research & development expenses	90,820	81,851	166,589	115,747
General and adminstrative expenses	196,302	104,462	356,115	239,700
Depreciation and amortization	5,496	4,060	11,889	6,710
Legal and professional fees	27,482	0	56,813	0
Total costs and expenses	320,100	190,373	591,406	362,157
Net loss before other income (expense) and minority interest	(320,100)	(190,373)	(591,406)	(362,157)
Corporate taxes	(448)	0	(448)	0
Other income - interest & grants	5,325	16,125	7,645	24,103
Write off of Investment	0	0	0	0
Minority interest of loss	84,636	10,474	160,635	20,057
Interest on loan payable	0	0	0	0
Gain on Sale of Asset	262,985	0	262,985	0
Total	352,498	26,599	430,817	44,160
Net income (loss)	$32,398	($163,774)	($160,589)	($317,997)
Net income (loss) per share	0.01	(0.05)	(0.03)	(0.11)
Number of shares used in computation	6,040,370	3,008,935	6,040,370	3,008,935

See the accompanying notes to consolidated financial statements.

CRYO - CELL INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Months Ended	
	May 31, 1992 (Unaudited)	May 31, 1991 (Unaudited)
Cash flows from operating activites:		
Net loss	($160,589)	($317,997)
Adjustments to reconcile net loss to cash used in operations:		
Depreciation	15,800	6,710
Change in minority interest	(160,635)	(20,057)
(Increase) - prepaid expenses and other current assets	(5,578)	13,509
Increase - accounts payable and accrued expenses	(44,862)	(67,349)
Increase - due to officers	0	(3,491)
Security Deposits	(1,133)	0
Net cash used in operating activites	(356,997)	(388,675)
Cash flows from investing activities:		
Purchase of fixed assets	(25,508)	(19,386)
Patent application costs	(66,650)	(29,568)
Net cash used in investing activities	(92,158)	(48,954)
Cash flows from financing activities:		
Issuance of common stock net of deferred public offering costs (Not	1,014,978	898,487
Proceeds from exercise of options	6,225	
Loan proceeds	(130,000)	45,000
Net cash provided by financing activitie	891,203	943,487
Net increase (decrease) in cash	442,049	505,858
Net cash - beginning of period	240,395	10,823
Net cash - ending of period	$682,444	$516,681

See the accompanying notes to consolidated financial statements.

CRYO-CELL INTERNATIONAL, INC.
(A Development Stage Company)

Notes to Consolidated Financial Statements
May 31, 1992
(Unaudited)

NOTE 1 - CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements consist of the financial statements of the Company and it's subsidiary Net/Tech International, Inc. The Consolidated Financial Statements include the Balance Sheet as of May 31, 1992, the Statement of Operations for the three months and Year-To-Date ended May 31, 1992 and the Statement of Cash Flows for the Year-To-Date ended May 31, 1992 have been prepared by the Company, without audit. In the opinion of Management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flows at May 31, 1992 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's November 30, 1991 annual report to Shareholders. The results of operations for the period ended May 31, 1992 are not necessarily indicative of the operating results for the full year.

CONSOLIDATION/ACQUISITION:

The acquisition of Net/Tech by Cryo Cell has been accounted for as a pooling-of-interests. All intercompany accounts and transactions have been eliminated. Cryo-Cell acquired the 50% ownership at a cost of $21,987.

As the acquisition was made effective January 10, 1990, the Statement of Income does not include any operations of Net/Tech for the period of September 11, 1989 (inception) to November 30, 1989. Pro forma results of operations as though the acquisition of Net/Tech has been effective at September 11, 1989 are not existent since Net/Tech began operations after November 30, 1989.

NOTE 2 - NET/TECH CONVERTIBLE LOAN

In May and June, 1991 NET/TECH entered into convertible loan agreements, totalling $130,000, with nine individuals. Each agreement stipulates that the individual would have the choice of being repaid with interest at two percent over prime or converting the loan into (restricted) Common Stock and Warrants at one-third the price established in the Company's planned Initial Public Offering. As of April, 1992 all participants have elected to convert their loan values into (restricted) Common Stock and Warrants.

NOTE 3 - NET/TECH PURCHASE OPTION

On March 19, 1992 Net/Tech announced that the company had obtained an option to purchase 100% of the stock and all the assets of Falcon Detection Technologies, Inc., of Plymouth Rock Massachusetts.

The price paid to Falcon shareholders for the option was an option to purchase thirty thousand (30,000) shares of Net/Tech stock at $2.50 per share (subject to a two year holding period after exercise).

If Net/Tech exercises the option, purchase will be accomplished in a stock for stock transaction based on 4 times Falcon's third year pre-tax earnings. This will be paid for at the time of the acquisition with Net/Tech's stock based on the average value of the bid and ask prices of the stock for the sixty days prior to the Pay out.

At the time of the acquisition, one-half of the stock due Falcon shareholders will be escrowed to assure Falcon's earnings remain constant or increase during its fourth year of operation. In the event of a decline in earnings, a proportionate number of escrowed shares will be returned to Net/Tech.

NOTE 4 - PRIVATE PLACEMENT OF OPTIONS ON CRYO/CELL OWNED NET/TECH STOCK

CRYO-CELL intends to offer for sale 1,600,000 18 month options to purchase the common stock of its subsidiary Net/Tech stock at $7.00 per share. The price of each option will be $0.25.

NOTE 5 - EXCERSIZE OF OPTIONS

A Stock Option for 2,500 shares was excersized in April.

CRYO-CELL INTERNATIONAL, INC.
(A Development Stage Company)

Management's Discussion and Analysis of Financial Condition and Results of Operations

Since its inception on September 11, 1989, CRYO-CELL International, Inc. (the Company) has invested a substantial amount of its resources into the design and development of its computer-controlled cellular storage unit, placental blood extractor and multi-chambered vial and in filing for patents on the same. This investment has been financed through both the private and public equity markets.

Net/Tech International, Inc., since its inception on January 10, 1990 has invested a substantial amount of its resources into its water dispersible technology and hygiene and monitoring devices and in filing for patents on the same. This investment has been financed through both the private and public equity markets.

Both Companies will continue to incur research and development expenditures and patent costs during 1992.

Liquidity and Capital Resources

As of May 31, 1992 the Company had consolidated working capital $610,688. The Company hopes to raise up to $400,000 of additional funds through the sale of options on 1,600,000 of the shares of Net/Tech International, Inc. common stock held by the Company. In addition, if all of the options are sold and exercised, the Company could realize a cash inflow of up to $11,200,000.

The Company is negotiating with potential licensees for its equipment and technologies in several countries, which could result in revenue and profit sharing agreements. To date, licenses are being negotiated with groups in Ireland, Israel and Canada, with the Irish group being responsible for the cost of the development of the prototype of the cellular storage unit when the license is signed.

Financial Condition

Consolidated cash at May 31, 1992 was $682,444 compared to $141,735 at November 30, 1991. This increase is a result of the Net/Tech IPO and CRYO-CELL's sale of 31,932 shares of its Net/Tech stock.

Consolidated current assets exceeded current liabilities by $610,688.

Consolidated fixed Assets at May 31, 1992 were valued at $93,830 compared to $80,111 at November 30, 1991.

CRYO-CELL INTERNATIONAL, INC.
(A Development Stage Company)

Results of Operations

The Company is a development stage company and has had no revenues from operations.

Consolidated Research and development costs were $90,820 for the quarter ended May 31, 1992 and 166,589 for the Year-To-Date. Consolidated General and administrative expenses for the quarter and Year-To-Date ended May 31, 1992 were $196,302 and $356,115, respectively. General and administrative expenses have been necessary to continue support in establishing the Company, meeting reporting requirements, establishing shareholder relationships and in support of the research and development effort.

Although the Company may generate revenues in the year ending November 30, 1992, research and development expenses are also expected to increase because of development of other medical devices sufficiently for the Company to continue to incur an operating loss.

CRYO-CELL INTERNATIONAL, INC.
(A Development Stage Company)

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS:

None

ITEM 2 - CHANGES IN SECURITIES

None

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS:

At the Annual Meeting of the Company's Stockholders on April 27, 1992 all of the management's nominees for directors were elected.

ITEM 5 - OTHER INFORMATION:

None

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

None

CRYO-CELL INTERNATIONAL, INC.
(A Development Stage Company)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CRYO-CELL INTERNATIONAL, INC.

Daniel D. Richard
President

Stuart S. Abelson
Chief Financial Officer

Date: June 30, 1992

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

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For Quarter Ended November 30, 1991

Commission File Number 33-24483-NY

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HEALTH-PAK, INC.

(Exact name of Registrant as specified in its Charter)

Delaware	11-2914841
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1208 Broad Street, Utica, NY	13501
(Address of principal executive offices)	(Zip Code)
Same	
(Former Address)	(Zip Code)

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(315)724-8370

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes_X__ No____

Indicate the number of Shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date. As of February 10, 1992 there were outstanding 8,354,008 shares of Common Stock, par value $.0001.

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HEALTH-PAK, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET - MAY 31, 1991 AND 1990
AND NOVEMBER 30, 1991 AND 1990

	May 31, 1991	May 31, 1990	November 30, 1991 (Unaudited)	November 30, 1990 (Unaudited)
ASSETS				
Current assets:				
Cash	$ 26,715	$ 10,050	$11,841	$14,295
Receivables:				
Trade, less allowance for doubtful accounts $2,000 (Note 3)	192,177	188,379	180,560	171,914
Miscellaneous	1,450	1,150	8,280	1,150
Inventory (Notes 3 and 4)	261,408	168,067	344,344	227,707
Deferred offering expense (Note 11)	44,196		91,575	13,786
Prepaid insurance	20,525	3,672	15,136	1,567
Prepaid income taxes	3,000	3,000	3,000	3,000
Prepaid expenses	3,028	1,858	365	
Prepaid directors and consulting fees	3,797		3,797	
Total current assets	554,296	375,976	660,918	433,421
Property and equipment: (Notes 3 and 6)				
Machinery and equipment	188,282	77,016	196,980	107,575
Leasehold improvements	68,559	33,295	69,094	53,445
Automotive equipment	9,743	9,743	9,743	9,743
	266,584	120,054	275,817	170,763
Less accumulated depreciation	47,527	31,711	59,260	39,620
	219,057	88,343	216,557	131,165
	$773,353	$464,319	$877,475	$564,586

	May 31, 1991	May 31, 1990	November 30, 1991 (Unaudited)	November 30, 1990 (Unaudited)
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Current portion of long term debt (Note 6)	$ 4,200		$ [illegible]	
Notes payable, bank (Note 5)	140,000	$84,800	160,000	$134,000
Accounts payable	281,334	181,750	243,223	218,138
Accrued commissions		27,920		
Accrued wages	10,679	6,550	4,582	2,250
Accrued insurance	18,748		8,205	
Other accrued liabilities	3,365	200	3,644	1,290
Total current liabilities	458,326	301,220	408,854	355,678
Long-term liability:				
Long-term debt, net of current portion (Note 6)	15,050		32,533	
Commitments (Note 7)				
Shareholders' equity:				
Preferred stock, .001 par value 2,000,000 shares authorized				
Common stock, .002 par value, 20,000,000 shares authorized (Note 12)	15,977	5,132	16,707	5,132
Common stock purchase warrants:				
Class A (Note 9)				
Class B (Note 9)				
Class C (Note 15)				
Additional paid in capital	305,758	198,905	436,665	198,905
Retained earnings (deficit)	(21,758)	(40,938)	(17,284)	4,869
	299,977	163,099	436,088	208,906
	$773,353	$464,319	$877,475	$564,586

See notes to financial statements.

HEALTH-PAK, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS (DEFICIT)

YEARS ENDED MAY 31, 1991, 1990 AND 1989
AND
SIX MONTHS ENDED NOVEMBER 30, 1991 AND 1990

	YEARS ENDED			SIX MONTHS ENDED NOVEMBER 30,	
	1991	1990	1989	1991 (Unaudited)	1990 (Unaudited)
Net sales	$1,624,660	$1,605,307	$1,486,486	$806,357	$792,044
Cost of sales	1,295,067	1,318,096	1,276,202	631,538	608,317
Gross profit	329,593	287,211	210,284	174,819	183,727
Selling, general and administrative expenses	298,595	316,655	227,590	161,114	126,301
Income (loss) from operations	30,998	(29,444)	(17,306)	13,705	57,426
Other charge, interest expense	11,818	10,821	8,911	9,211	11,619
Net income (loss) before income taxes	19,180	(40,265)	(26,217)	4,494	45,807
Income taxes (Note 8)	———	2,916	(5,416)		
Net income (loss)	19,180	(43,181)	(20,801)	4,494	45,807
Retained earnings, (deficit), beginning	(40,938)	2,243	23,044	(21,758)	(40,938)
Retained earnings, (deficit), ending	($ 21,758)	($ 40,938)	$ 2,243	($ 17,264)	$ 4,869
Per share amounts:					
Net income (loss)	(.01)	(.02)	.00	.00	.00
Weighted average number of common shares outstanding	2,780,886	2,299,260	2,105,240	8,236,008	2,544,082

See notes to financial statements.

HEALTH-PAK, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

JUNE 1, 1987 TO NOVEMBER 30, 1991

	Common Stock Number of shares	$.002 par amount	Capital excess of par value	Retained earnings (deficit)	Total
Balance June 1, 1987	1,434,448	$ 2,869	$ 33,133	$ 9,012	$ 45,014
Shares issued during the year ended May 31, 1988	663,595	1,327	39,898		41,225
Net income for the year ended May 31, 1988				16,032	16,032
Balance at May 31, 1988	2,098,043	4,196	73,031	25,044	102,271
Shares issued during the year ended May 31, 1989	134,397	269	7,481		7,750
Net (loss) for the year ended May 31, 1989				(22,801)	(22,801)
Balance at May 31, 1989	2,232,438	4,465	80,512	2,243	87,220
Shares issued during the year ended May 31, 1990	333,644	667	118,393		119,060
Net (loss) for the year ended May 31,1990				(43,181)	(43,181)
Balance at May 31, 1990	2,566,082	5,132	198,905	(40,938)	163,099
Shares issued in exchange for consulting services of offering (Note 7)	2,189,995	4,380			4,380
Balance forward	4,756,077	9,512	198,905	(40,938)	167,479
Shares issued of common stock April 30, 1991 (Note 3)	387,648	775	59,225		60,000
Shares issued for services rendered (Note 14)	2,500,000	5,000			5,000
Balance forward	7,643,725	$15,287	$258,130	($40,938)	$232,479

	Common Stock Number of shares	$.002 par amount	Capital in excess of par value	Retained earnings (deficit)	Total
Balance forward	7,643,725	$15,287	$258,130	($40,938)	$232,479
Shares issued in exchange for warrants May 22, 1991 (Note 9)	344,991	690	67,628		68,318
Net income for the year ended May 31, 1991				19,180	19,180
Balance at May 31, 1991	7,988,716	15,977	325,758	(21,758)	299,9777
Shares issued in exchange for warrants June 7, 1991 (Note 9) (Unaudited)	125,492	250	11,367		11,617
Shares issued from sale of private placement memorandum June 1, 1991 through November 30, 1991 (Note 13) (Unaudited)	240,000	480	119,520		120,000
Net income for the permit ending November 30, 1991 (Unaudited)				4,496	4,496
Balance at November 30, 1991 (Unaudited)	8,354,208	$16,707	$456,645	($17,262)	$456,090

See notes to financial statements.

HEALTH-PAK, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED MAY 31, 1991, 1990 AND 1989
AND
SIX MONTHS ENDED NOVEMBER 30, 1991 AND 1990

	Years ended May 31			Six months ended November 30	
	1991	1990	1989	1991	1990
				(Unaudited)	
Operating activities:					
Net income (loss)	$19,100	($43,181)	($20,801)	$ 6,496	$45,007
Adjustment to reconcile net income to cash provided by operating activities, depreciation	15,816	8,886	12,771	11,733	7,999
Changes in operating assets and liabilities:					
(Increase) decrease in accounts receivable	(3,798)	69,567	(62,801)	11,617	16,443
(Increase) decrease in miscellaneous receivables	(300)			(6,830)	
(Increase) decrease in inventory	(93,361)	(50,982)	6,718	(86,958)	(59,640)
(Increase) decrease in prepaid expenses	(12,640)	26,556	(30,875)	8,056	3,763
(Increase) decrease in deferred financing costs	(66,996)	13,000	(13,000)	(67,379)	(13,786)
Increase (decrease) in accounts payable	99,586	(95,322)	63,790	(58,111)	36,580
Increase (decrease) in accrued expenses	(1,878)	1,305	20,965	(16,361)	(31,130)
Net cash provided from (used in) operating activities	(21,573)	(79,171)	(23,225)	(157,761)	5,776
Investing activities:					
Use of cash, purchase of property and equipment	($166,530)	($62,711)	($23,963)	($ 9,233)	($50,729)

	Years ended May 31			Six months ended November 30	
	1991	1990	1989	1991	1990
				(Unaudited)	
Financing activities:					
Sources of cash:					
Proceeds from issuance of common stock	$128,318	$119,060	$ 7,750	$131,617	
Increase in notes payable, bank	55,200		52,377		$49,200
Increase in current portion of long-term debt	4,200			5,000	
Increase in long-term debt	16,800			20,000	
Use of cash:					
Payment of long-term debt	(1,750)			(2,518)	
Payments of notes payable		(7,578)			
Net cash provided by financing activities	202,768	111,482	60,127	154,099	49,200
Net increase (decrease) in cash	14,665	(10,400)	12,959	(12,875)	4,265
Cash, beginning	10,051	20,451	7,492	24,716	10,051
Cash, ending	$ 24,716	$ 10,051	$20,451	$11,841	$ 5,806
Supplemental disclosures of cash flow information:					
Cash paid during the year for					
Interest	$18,543	$ 10,821	$11,617	$10,333	$11,617
Income taxes	$ 125	$ 125			
Supplemental schedule of non-cash investing and financing activities.					
Issuance of common stock for directors fees, past services and consulting contracts	$9,300				

See notes to financial statements.

HEALTH-PAK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 1991, 1990 AND 1989
SIX MONTHS ENDED NOVEMBER 30, 1991 AND 1990

1. Organization of the company:

The Company originally "Morgan Windsor Ltd," was incorporated in the state of Delaware on December 28, 1987 as a "blind pool". The only operations of the Company at that time were to structure a public offering of its securities. Thereafter the company began to search for a viable business opportunity.

On May 15, 1989, the Registration Statement containing the Company's original prospectus was declared effective by the Securities Exchange Commission. Pursuant to the original prospectus the Company was offering up to 4,000,000 units, at $.10 per unit, each consisting of one share of common stock, one Class A warrant and one Class B warrant. No securities were sold pursuant to original prospectus.

The Company subsequently amended its public offering to consist of a minimum of 15,000 units to a maximum 50,000 units to be offered at $6.00 per unit. Each unit consists of six shares of common stock (.002 par value) and eighteen Class A redeemable common stock purchase warrants and twelve B redeemable common stock purchase warrants. On September 7, 1990, the Company sold 16,358 units receiving gross proceeds of 98,148. Between October and November of 1989 the Company repurchased an aggregate of 178,583 shares of the Company from nineteen stockholders for an aggregate price paid for these shares. As a result of the above transactions as of April 30, 1991, the date of acquisition of Health-Pak, Inc, the Company had outstanding shares of 387,648 to the public.

On April 30, 1991, the Company acquired 100% of the issued and outstanding capital stock of Health-Pak, Inc. A New York corporation in exchange for 4,996,352 shares of which 4,756,077 shares were exchanged for 97.54% of the outstanding shares of Health-Pak, Inc and 240,275 shares were retained to acquire the remaining outstanding shares of Health-Pak, Inc.

Thereafter, the Company, "Morgan Windsor, Inc." changed its name to "Health-Pak, Inc" and increased its authorizated capitalization to 20,000,000 shares.

2. Nature of business:

Health-Pak, Inc. is a manufacturer and distributor of disposable paper products for use in serviced-related industries, primarily the medical industry.

3. Summary of significant accounting policies:

Principles of consolidation:

The acquisition of the Company's subsidiary on April 22, 1991 has been accounted for an a reverse purchase of the assets and liabilities of the Company by Morgan Windsor Ltd. Accordingly, the consolidated financial statements represent assets, liabilities and operations of Health-Pak, Inc. prior to April 30, 1991 and the combined assets, liabilities, and operations for the ensuing period. The financial statements reflect the purchase of the stock of Morgan Windsor Ltd. by Health-Pak, Inc. for cash, the value being the historical cost of the assets required. All significant intercompany profits and losses from transactions have been eliminated. Pursuant to the purchase the Company's 387,648 shares were issued to the public for $60,000.

Revenue recognition:

The Company maintains its books and records on the accrual basis of accounting, recognizing revenue when goods are shipped and expenses when they are incurred.

Inventories:

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method (FIFO).

Property and equipment:

Property and equipment are stated at cost. Depreciation of property and equipment is provided using the straight line method over the following useful lives:

	Years
Machinery and equipment	10
Leasehold improvements	19 and 31-1/2
Automotive equipment	5
Office equipment	10

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Per share amounts:

Net earnings per share are computed by dividing net earnings by the weighted average number of shares of common stock outstanding during the period. Fully diluted and primary earnings per common share are the same amounts for the period presented.

HEALTH-PAK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 1991, 1990 AND 1989
SIX MONTHS ENDED NOVEMBER 30, 1991 AND 1990

4. Inventories:
Inventories consist of:

	May 31 1991	May 31 1990	November 30 1991 (Unaudited)	November 30 1990 (Unaudited)
Raw Materials	$161,044	$101,818	$163,447	$125,239
Finished Goods	100,364	66,249	182,919	102,468
	$261,408	$168,067	$346,366	$227,707

5. The Company has at its disposal a line of credit at Marine Midland Bank. The note is due on demand and carries interest at prime + 1.5%. Inventory and accounts receivable are pledged as security. The note is also secured by the personal guarantees of Anthony Liberatore and Alfred Zennamo to the extent of $50,000 in total.

6. Long-term debt:

		May 31, 1991		November 30, 1991	
	Rate	Current Portion	Long-Term Portion	Current Portion	Long-Term Portion
Note payable, Marine Midland(A)	Prime + 2%	$ 4,200	$ 15,050	$ 4,200	$ 12,950
Note payable, Marine Midland(B)	Prime + 2%			5,000	19,583
		$ 4,200	$ 15,050	$ 9,200	$ 32,533

A) Equipment with a cost of $25,000 is pledged as collateral on a note payable in monthly installments of $350, excluding interest. The note matures in December of 1995.

B) Equipment with a cost of $38,500 is pledged as collateral on a note payable in monthly installments of $417, excluding interest. The note matures in November 1996.

7. Commitments:

The Company conducts is operations from a facility that is leased under a three year operating lease. There is a verbal option to renew the lease for one five year period at the expiration of the initial terms. Under the terms of the lease, the Company may deduct a portion of the electric bills applicable to the space it occupies.

7. Commitments (continued):

The following is a schedule of future minimum rental payments required under the above operating lease as of November 30, 1991:

Year	Amount
1991	$ 36,000
1992	36,000
1993	36,000
1994	36,000
	$144,000

Rent expense charged to operations for the year ended May 31, 1991 and six months ended November 31, 1991 amounted to $32,358 and $19,800, respectively.

The Company also rents office and storage facilities from a major shareholder Anthony Liberatore. Under the terms of the written lease, the Company is obligated for a four year term, expiring in December of 1994.

The following is a schedule of future minimum rental payments required under the above operating lease as of November 30, 1991.

Year	Amount
1991	$ 21,600
1992	21,600
1993	21,600
1994	21,600
	$ 86,400

Rent expense for the year ended May 31, 1991 and six months ended November 30, 1991 amounted to $22,500 and $10,800 respectively.

Consulting contracts:

The Company has entered into consulting contracts with various consultants to assist the Company's management in finding and evaluating potential business projects and opportunities and in the negotiation and implementation of its proposed business and financial plans, in accordance with the goals, aims and restrictions of the Company, as set from time to time by the Company's Board of Directors.

7. Commitments (continued):

Consultant agrees to assist the Company in all such matters as the Company may from time to time request and to act on behalf of the Company and render his report, in writing, to the Board of Directors and to otherwise render to the Board such advise and assistance as may be requested. As part of such services, consultant shall, upon request of the Company, make available such personnel as may reasonably be required to adequately perform such assignments to the satisfaction of the Company.

In addition to the above it is agreed and understood that Consultant, or his duly constituted nominee(s), shall receive shares of the common stock of the Company, which shares shall be deemed to have been issued as a further and additional consulting fee earned by Consultant in connection with the services provided and which shares shall be issued pursuant to the instructions of Consultant.

With respect to the shares which Consultant shall receive hereunder, it is understood and agreed that, upon the request of Consultant, the Company shall:

include such shares in any future registration of securities by the Company for sale to the public (the "Piggy Back Registration Rights"), up to the limits provided by applicable law, rule or regulation of the Securities and Exchange Commission, and subject to the approval of the underwriter, if any, participating in such future registration by the Company; and

upon the written request of at least a majority of said shares, on one occasion only, the Company shall file a registration statement on behalf of the holders of said shares to register such shares for sale to the public (the "Demand Registration Rights"), it being understood and agreed that should the preparation and filing of such registration statement create an undue burden upon the Company, the expenses of such registration shall be paid by the parties requesting such registration rights.

In addition to the fee, Consultant shall be reimbursed for actual out-of-pocket expenses incurred in behalf of the Company, provided that prior approval of the Company has been obtained for any single item for which reimbursement is sought which exceeds the sum of $150.

7. Commitments (continued):

Consultant	Shares Issued	Term of Contract	Fees
Martin I. Saposnick	499,720	36 months	A
Lois Ottembeino	499,722	12 months	B
Karlton Zamost	799,552	36 months	A
Other marketing consultants	391,001	No Term	No Fixed Commitments
	2,189,995		

A. Consultant shall receive a base monthly fee of $1,000 per month during the first twelve (12) months of the terms hereunder and $1,500 during the remaining twenty-four (24) months, for their services under this Agreement. Fees shall be paid monthly by the Company unless a different payment arrangement is agreed to in writing by the parties. It is understood and agreed that the fee shall be reviewed at the end of the term set forth herein and shall be adjusted as agreed to in writing between the parties hereto.

Additionally, should the Company, through the direct efforts of Consultant, enter into any agreement for the purpose of effecting a merger, acquisition or recapitalization, the Company shall pay to Consultant the sum of Five Thousand ($5,000) Dollars an unaccountable expenses plus a fee equal to Two and one-half (2-1/2%) percent of the gross proceeds raised in any and all public or private offerings conducted in connection with or within the three (3) years immediately following such merger, acquisition or recapitalization.

B. Consultant shall receive a fee as shall be mutually agreed to in writing between the parties for each special project she is requested to undertake by the Company. It is understood and agreed that no minimum periodic fee shall be paid to Consultant.

8. Income taxes:

The Company has unused net operating losses of approximately $12,000 which can be used to offset future income. The carryovers expire in 2004.

9. Common stock purchase warrants:

On May 15, 1989, the Company completed its public offering would consist of 50,000 units to be offered at $6.00 per unit. Each unit would consist of six shares of common stock ($.002 par value) and eighteen Class A redeemable common stock purchase warrants and twelve Class B redeemable common stock purchase warrants. Each Class A warrant entitles the holder to purchase one additional share of common stock at $.75 per share unit June 30, 1992. Each Class B warrant entitles the holder to purchase one additional share of common stock at $2.00 per share until March 5, 1992. There are currently outstanding 294,444 Class A and 196,296 Class B redeemable common stock purchase warrants of the Company.

10. Employment contracts:

As of June 1, 1991 the Company entered into an employment agreement with Mr. Anthony Liberatore which is for a period of three (3) years. Pursuant to this Agreement Mr. Liberatore is employed as President and Chief Executive Officer of the Company. The Agreement provides that he will devote his full time to the affairs of the Company. During the term of this Agreement, Mr. Liberatore will receive a salary of $42,000 per year, until December 31, 1991 and of $75,000 thereafter for the remainder of the agreement, together with annual cost of living adjustments of not less than ten (10%) percent per year, and annual bonus compensation equal to ten (10%) percent of the Company's net after-tax profits. Furthermore, this Agreement is subject to annual review by the Board of Directors for the purpose of increasing, but not decreasing, Mr. Liberatore's compensation based upon the performance of the Company and in the Board's sole discretion. The agreement is renewable for consecutive one-year terms unless either party notifies the other at least three (3) months prior to the expiration of the current term of the Agreement that it or he does not intend to renew. Mr. Liberatore is also entitled to the use of a Company car and to three (3) weeks paid vacation each year. Should the Agreement be terminated by the Company for any reason except for cause or the death of Mr. Liberatore, Mr. Liberatore shall be entitled to receive a lump sum termination payment equal to ten (10%) of the Company's prior six (6) months net worth plus the balance due him under the remainder of the then current term of the Agreement.

As of June 1, 1991 the Company entered into an employment agreement with Mr. Michael A. Liberatore which is for a period of three (3) years. Pursuant to this agreement Mr. Liberatore is employed as Vice President-Marketing, Assistant Secretary and Treasurer of the Company. The

10. Employment contracts (continued):

Agreement provides that he will devote his full time to the affairs of the Company. During the term of the Agreement, Mr. Liberatore will receive a salary of $21,000 per year, until December 31, 1991 and $35,000 thereafter for the remainder of the Agreement, together with annual cost of living adjustments of not less than ten (10%) percent per year. Furthermore, the Agreement is subject to annual review by the Board of Directors for the purpose of increasing, but not decreasing, Mr. Liberatore's compensation based upon the performance of the Company and in the Board's sole discretion. This Agreement is renewable for consecutive one-year terms unless either party notifies the other at least three (3) months prior to the expiration of the current term of the Agreement that it or he does not intend to renew. Mr. Liberatore is entitled to two (2) weeks paid vacation each year. Should the Agreement be terminated by the Company for any reason except for cause or the death of Mr. Liberatore, Mr. Liberatore will be entitled to receive a lump sum termination payment equal to the balance due him under the remainder of the then current term of the Agreement.

On September 13, 1991 the Company entered into an employment agreement with Mr. Alfred Zennamo which agreement is retroactive to June 1, 1991 and is for a period of three (3) years. Pursuant to the Agreement Mr. Zennamo is employed as Vice President - Manufacturing of the Company. The Agreement provides that he will devote his full time to the affairs of the Company. During the term of the Agreement, Mr. Zennamo will receive a salary of $28,000 per year, until December 31, 1991 and $35,000 thereafter for the remainder of the Agreement, together with annual cost of living adjustments of not less than ten (10%) percent and not more than fifteen (15%) percent per year. Mr. Zennamo is also entitled to an annual profit participation bonus based upon 2.5% of the Company's net pre-tax profit. Furthermore, the Agreement is subject to annual review by the Board of Directors for the purpose of increasing, but not decreasing, Mr. Zennamo's compensation based upon the performance of the Company and in the Board's sole discretion. This Agreement is renewable for consecutive one-year terms unless either party notifies the other at least three (3) months prior to the expiration of the current term of the Agreement that it or he does not intend to renew. Mr. Zennamo is entitled to three (3) weeks paid vacation each year. Should the Agreement be terminated by the Company for any reason except for cause or the death of Mr. Zennamo, Mr. Zennamo shall be entitled to receive a lump sum termination payment equal to the balance due him under the remainder of the then current term of the Agreement.

The Company has no other employment contracts. Further, it has no retirement, pension or profit sharing plan covering its officers or directors.

11. Deferred offering expense:

The value stated is the amount that has been paid by the Company for expenses incurred for the public offering of warrants, the offering is to take place in 1992. The deferred offering expenses will be deducted from the proceeds of the offering. In the event the offering does not take effect, the deferred offering expenses will be charged to operating expenses.

12. Common stock shares outstanding:

The following shares were issued and outstanding at these respective dates.

May 31, 1991	7,988,716
May 31, 1990	2,566,082
November 30, 1991	8,354,008
November 30, 1990	2,566,082

13. Proceeds from private placement:

In June 1991, the Board of Directors of the Company duly authorized the Company to undertake a private placement of up to 500,000 of the Company's shares at a price of $0.50 per share to accredited investors only, pursuant to the exemption provided in Regulation D of the Securities Act of 1933. Between the period June 1, 1991 and November 30, 1991, the Company issued 240,000 shares for a total price of $120,000.

14. Shares issued for past services, directors fees, etc.:

On May 22, 1991, the Company authorized the issuance of certain additional shares to officers, directors, various employees of the Company for past services rendered to Health-Pak Inc. for which no compensation or reduced compensation had been paid and in part in lieu of any other compensation for their agreement to serve as directors or officers of the Company for the coming fiscal year without separate compensation.

15. Subsequent events:

On May 22, 1991, the Company resolved to authorize the issue of 1,984,680 as a new class of warrants, to be designated Class C redeemable common stock purchase warrants which shall be registered with the Securities and Exchange Commission and that, following completion of such registration process, said Class C warrants shall be distributed to all shareholders of the Company as of June 14, 1991 on the basis of one Class C warrant for every four shares of common stocks owned at such date. Each Class C warrant shall entitle the warrantholders to purchase one share of the Company's common stock at $.25 per share for a period of 90 days following the distribution date of said warrants, $.50 per share for the next 60 days and $1.25 per share for the final 30 days of the exercise period of Class C warrants. The Class C warrants shall be distributed within ten days following the effective date of the Company's registration statement.

16. Notes to unaudited financial information:

The unaudited financial information for the six months ended November 30, 1991 and 1990 has been provided in response to the requirements of Article 10 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of operating for the first six months are not necessarily indicative of results to be expected for the full year.

Item 2:

Management's Discussion and Analysis of Financial Condition

1. Comparison of Balance Sheet Items.

At November 30, 1991, the end of the first half of fiscal 1992, the Company had total assets of $877,475, as compared with $564,584 at November 30, 1990, consisting of $660,918 in total current assets and $216,557 in property and equipment (less accumulated depreciation), as compared to $433,421 and $131,163 respectively at November 30, 1990. The increase in total assets at November 30, 1991 as compared to November 30, 1990, was principally due to an increase in inventory, property and equipment and deferred offering expenses. The Company's current assets consisted of $11,841 in cash, $180,560 in trade accounts receivable, $346,366 in inventory, $91,575 in deferred offering expenses and $30,576 in other assets at November 30, 1991 compared to $14,295, $171,916, $227,707, $13,786 and $5,717 respectively for the same period in fiscal 1991.

At November 30, 1991 the Company had total liabilities of $441,387, as compared with $355,678 at November 30, 1990, with retained earnings and total shareholders equity at November 30, 1991 of ($17,264) and $436,088 respectively (compared with $4,869 and $208,906 respectively for the same period in fiscal 1991).

During the first six months of fiscal 1992, the Company had net sales revenues of $806,357, as compared with $792,044 for the same period in fiscal 1991. During this period, cost of sales totaled $631,538 with selling, general and administrative expenses of $161,114 (compared to $608,317 $126,303 respectively during the same period in fiscal 1990). As a result, during the first half of fiscal 1992, the Company experienced gross profits from operations of $174,819 (as compared to $183,727 for the same period in fiscal 1991). After interest expense of $9,211, compared to $11,617 in fiscal 1991, the Company had net income from operations of $4,494, as compared to $45,807 during the same period in fiscal 1991. The principal factors which impacted the Company's operating results during this period were (i) increased cost of goods sold and (ii) higher administrative expenses. During this period, gross sales revenues increased only approximately 2% over the same period last year, while cost of goods sold increased approximately 4% over the same period last year. The higher cost of goods sold is attributed to several factors including the continued emphasis on sales of Company manufactured goods, with a resulting increase in direct labor costs, an increase in the types of products offered by the Company including several higher priced, but more expensive to produce, disposable and limited reusable products. Selling, general and administrative expenses increased approximately 28% during this period, as compared to the same period last year, due primarily to higher administrative costs associated with the Company's present registration of its securities and expenses associated with preparation for introduction of a new line of thermal blankets, which line was introduced following the end if the second quarter of fiscal 1992. Additionally, as was the case during the first quarter of fiscal 1992, the Company continued to experience substantially higher insurance costs and the ongoing expenses of two marketing consultants which were not present during fiscal 1991.

Management continues to de-emphasize the sale of third party products while concentrating upon the sale of Company manufactured products, a situation which has had and, until the Company can fully implement its expansion plans, will continue to have a negative impact upon the Company's overall sales revenues. However, as new Company manufactured products, such as the new line of thermal blankets, are introduced, management believe, although no assurances can be given, that sales revenues will increase and, over the long term, will result in more stable sales and higher profit margins for the Company. In addition, in January 1992, the Occupational Safety and Health Administration (OSHA) announced new mandatory regulations which significantly expand the requirements for protective apparel in many industries and organizations where there exists a high risk of spreading of infectious diseases such as AIDS and hepatitis. These new regulations, which must be fully implemented by June 6, 1992, are, in management's opinion, expected to substantially broaden the demand and markets for products such as those manufactured by the Company. However, the full impact of these new regulations are not expected to be felt until the last quarter of fiscal 1992 or the first quarter of fiscal 1993. At this point it is too early to make any projections as to the impact upon the Company's sales and profits in the future.

Additionally, during the second quarter of fiscal 1992, the Company concluded an agreement with Fabrite Laminating Corporation to become a designated manufacturer and distributor of limited reusable products manufactured from the "Fabrite 200" fabrics. As discussed in the Company's quarterly report for the first quarter of fiscal 1992, management anticipates that sales of these new products will begin during the third quarter of fiscal 1992. During the second quarter of fiscal 1992, the Company completed initial product manufacture and testing in preparation for introduction of this new product line. Although some minor problems were encountered, these have now been corrected and introduction of this new line is expected during the third quarter of fiscal 1992. However, until evaluation of these new products by end-users is completed, management can make no projections as to market acceptance of this new line or as to the potential revenues which can be expected.

II. Capital Resources and Liquidity.

The principal source of funds for the Company's operations to date has been investment capital and operating revenues, as reflected in the Company's financial statements. The Company has completed a private placement of its common stock wherein it sold 240,000 shares for an aggregate investment of $120,000. Of the funds raised approximately $40,000 was used for the expansion of inventory; approximately $20,000 was used for new equipment and machinery and the balance was used to meet ongoing Company expenses, including costs associated with the Company's pending registration of its securities.

During the current fiscal year, ending May 31, 1992, the Company projects that it will require substantial financing for additional capital expenditures in connection with the planned expansion of its manufacturing operations and implementation of its expansion of existing product lines. Although a portion of these expenses have now been met with respect to the introduction of the Company's new line of thermal blankets and limited reusable products, a final budget for these capital needs has not yet been completed. However, management expects that its most significant needs will be for additional manufacturing equipment, expansion of existing inventories and development of new product lines. Management plans to draw the needed financing from a combination of revenues from operations, conventional financing of equipment either from its lending istitutions or directly from the equipment manufacturer and the proceeds from its planned Warrant distribution to existing shareholders. However, as an alternative sources of needed funding, management has begun to investigate an equipment leasing program in order to acquire additional equipment needed to implement its future expansion plans. Although no commitment for such financing has yet been concluded, and no assurances can be given that such a program will prove feasible, management believes that it will be able to acquire at least a portion of the needed equipment in this fashion.

III. Inflation.

Management anticipates that inflation will not have a material effect on the Company's operations in the future. This is principally due to two factors. First, the Company presently has adequate manufacturing equipment and capacity to support not only its present level of operations but, with the addition of a second and, if needed, third, operating shift, to support a substantial increase in production of its present product lines. Further, provided the proceeds of the Company's Warrant distribution are available as anticipated by management, of which there can be no assurance, or that the Company is able to secure alternative financing, the Company's planned expansion of its present manufacturing operations, should be completed during fiscal 1992, during which no significant inflation is presently projected. Secondly, although product pricing would be affected by inflation, management believes that the health and safety concerns would outweigh any negative impact of price increases and not adversely affect the Company's projected sales. Additionally, the hospital and health care markets, where most of the Company's products are sold, have historically been best able to pass on increased costs which are typically paid by insurance coverage.

V. Trends Affecting Company Operations.

A number of factors are expected to impact upon the Company's future operations. Included among these are (i) environmental concerns; (ii) economic factors generally affecting the health care industry; (iii) governmental regulation of the Company's products and (iv) the growing concern in many industries about controlling the spread of infectious disease. Many disposable products offered by the Company are made from plastic-base materials which have raised concern among environmental groups over their proper disposal. Although management believes that such concerns are, in many cases, valid, it is also believed that these concerns must be balanced with safety provided by these products against infectious diseases such as AIDS, hepatitis and others. This belief has recently been reinforced by the new, comprehensive safety regulations issued by the Occupational Safety and Health Administration (OSHA) which requires extensive new measures to combat the spread of infection and disease in many industries which had not previously required such measures. Most importantly, from the point of view of the Company, are the new requirements for protective apparel such as that manufactured by the Company. Management believes, although no assurance can be given, that these new regulations, which must be fully implemented by June 6, 1992, will increase demand for the Company's products and significantly expand the Company's markets. Based upon inquiries received by the Company since January, 1992, management believes that most significant among these new markets for its products will be the emergency service industries, including police, fire and ambulance services, which routinely are exposed to unusually high risk of infectious diseases.

Management believes that perhaps the most significant adverse impact upon its future operations may result from economic pressures to keep health care costs low. Spearheaded by health care insurers, over the past several years the entire health care industry in the United States has come under increasing pressure and scrutiny to cut unnecessary and wasteful costs. To meet the criticism in recent years over the higher cost of disposable products, the Company is preparing to introduce a line of limited reusable products. These products are designed to be washed and reused from between 25 and 200 times before being replaced. Management believes that such products will not only address the economic concerns but also the environmental issues by reducing the amount of products which are being discarded. However, as already mentioned, in situations where there is a high risk of spreading infection, management believes that the disposable products which are the mainstay of its business will continue to have strong appeal and demand in the marketplace.

Management continues to de-emphasize the sale of third party products while concentrating upon the sale of Company manufactured products, a situation which has had and, until the Company can fully implement its expansion plans, will continue to have a negative impact upon the Company's overall sales revenues. However, as new Company manufactured products, such as the new line of thermal blankets, are introduced, management believe, although no assurances can be given, that sales revenues will increase and, over the long term, will result in more stable sales and higher profit margins for the Company. In addition, as mentioned above, in January 1992, OSHA announced new mandatory regulations which significantly expand the requirements for protective apparel in many industries and organizations where there exists a high risk of spreading of infectious diseases such as AIDS and hepatitis. These new regulations are, in management's opinion, expected to substantially broaden the demand and markets for products such as those manufactured by the Company. However, the full impact of these new regulations are not expected to be felt until the last quarter of fiscal 1992 or the first quarter of fiscal 1993. At this point it is too early to make any projections as to the impact upon the Company's sales and profits in the future.

In short, the above factors may each have a significant impact upon the Company's future operations. At present, management believes that safety concerns over the spread of infectious diseases such as AIDS and hepatitis will, at least for the foreseeable future, outweigh economic and environmental concerns. Consequently, management does not anticipate any adverse impact upon its future operations for the foreseeable future. Apart from these factors, management knows of no trends or demands that would adversely affect the financial condition of the Company.

Part II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

None.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: February 24, 1992

Health-Pak, Inc.

BY: Anthony Liberatore / President

Anthony Liberatore, President

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SEC ITIES EXCHANGE ACT OF 1934

PROCESSED BY
9-9-H
APR 6 1992

For the quarterly period ended June 30, 1991

OR

___ TRANSITION REPORT PURSUANT TO SE IES EXCHANGE ACT OF 1934

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

For the transition period from ______________ to ___________

Commission File Number ~~33-4259C~~ 0-4331

IMAGE SYSTEMS CORPORATION
(Exact name of registrant as specified in its charter)

Minnesota (State or other jurisdiction of incorporation or organization)	41-1620497 (I.R.S. Employer Identification No.)
11543 K-Tel Drive, Hopkins, Minnesota (Address of principal executive offices)	55343 (Zip Code)

(612) 935-1171
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes _____ No X

As of March 18, 1992, there were 4,325,722 shares of Common Stock, $0.01 par value per share, outstanding.

BEST COPY AVAILABLE

Part 1. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

IMAGE SYSTEMS CORPORATION

BALANCE SHEETS

(Unaudited)

	June 30, 1991	December 31, 1990
ASSETS		
CURRENT ASSETS:		
Cash	$ 15,659	$ 6,816
Accounts receivable	87,692	126,406
Inventory	433,951	272,501
Prepaid expenses	29,339	3,970
Total current assets	566,641	409,693
FURNITURE, FIXTURES AND EQUIPMENT	12,066	14,346
OTHER ASSETS	1,490	1,490
Total assets	$580,197	$425,529
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
CURRENT LIABILITIES:		
Notes payable to officer (Note 2)	$251,094	$150,000
Accounts payable	163,935	87,247
Accrued liabilities	9,965	105,825
Total current liabilities	424,994	343,072
LONG-TERM NOTES PAYABLE TO OFFICERS (Note 2)	29,650	657,540
STOCKHOLDERS' INVESTMENT (Notes 2 and 3):		
Common stock, no par value, 10,000,000 authorized, 3,325,722 and 1,350,000 shares issued and outstanding	141,158	(575,083)
Deficit since June 5, 1991	(15,605)	-
	125,553	(575,083)
	$580,197	$425,529

See accompanying notes to financial statements.

Item 1. FINANCIAL STATEMENTS

IMAGE SYSTEMS CORPORATION

STATEMENTS OF OPERATIONS

(Unaudited)

	For the Quarters Ended June 30		For the Six Months Ended June 30	
	1991	1990	1991	1990
NET SALES (net of returns and allowances)	$ 167,098	$ 109,323	$ 361,529	$ 197,169
COST OF PRODUCTS SOLD	142,699	89,272	309,677	161,230
Gross profit	24,399	20,051	51,852	35,939
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	261,122	68,569	313,189	138,327
Operating loss	(236,723)	(48,518)	(261,337)	(102,388)
INTEREST EXPENSE	11,450	16,982	25,888	32,810
Net loss	$(248,173)	$ (65,500)	$(287,225)	$(135,198)
NET LOSS PER SHARE	$ (.08)	$ (.05)	$ (.13)	$ (.10)
AVERAGE COMMON SHARES OUTSTANDING	2,968,000	1,350,000	2,163,000	1,350,000

See accompanying notes to financial statements.

Item 1. FINANCIAL STATEMENTS

IMAGE SYSTEMS CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1991 AND 1990

(Unaudited)

	1991	1990
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(287,225)	$(135,198)
Adjustments to reconcile net loss to net cash used for operating activities-		
Depreciation and amortization	2,280	2,556
Common stock issued for services	147,491	-
Changes in current operating items:		
Accounts receivable	38,714	19,265
Inventory	(161,450)	(22,019)
Prepaid expenses	(25,369)	849
Accounts payable	76,688	(24,051)
Accrued liabilities	32,622	37,192
Cash flows used for operating activities	(176,249)	(121,406)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Furniture and fixtures and equipment additions	-	(4,891)
Cash flows used for investing activities	-	(4,891)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term notes payable to officers	120,092	94,254
Proceeds from issuance of common stock	65,000	-
Cash flows provided by financing activities	185,092	94,254
Increase (decrease) in cash	8,843	(32,043)
CASH AT BEGINNING OF PERIOD	6,816	54,745
CASH AT END OF PERIOD	$ 15,659	$ 22,702
SUPPLEMENTAL OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ -	$ 483

See accompanying notes to financial statements

Item 1. FINANCIAL STATEMENTS

IMAGE SYSTEMS CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1991 and 1990

(Unaudited)

1. ACCOUNTING POLICIES:

The information furnished in this report is unaudited but reflects all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods and are of a normal, recurring nature. The operating results for the six months ended June 30, 1991 are not necessarily indicative of the operating results to be expected for the full fiscal year. These statements should be read in conjunction with the Company's most recent audited financial statements included in the Company's Prospectus dated August 28, 1991.

2. SALE OF COMMON STOCK:

During May and June of 1991, the Company sold 120,000 shares of the Company's common stock to new shareholders at $.50 per share.

In April 1991, the Company commenced a public offering of 1,000,000 shares at $1 per share. The offering is expected to be completed in late October 1991. Offering costs incurred as of June 30, 1991 of $28,007 are included as prepaid expenses in the accompanying balance sheet. When the offering is complete, the offering costs will be reflected as a reduction of related proceeds in stockholders' equity.

3. TERMINATION OF S CORPORATION TAX ELECTION:

Effective June 5, 1991, the Company terminated its S corporation tax election. Accordingly, the accumulated deficit through June 5, 1991 of $1,046,703 was eliminated against common stock.

Since June 5, 1991, the Company has accumulated net operating loss carryforwards for federal income tax purposes of approximately $16,000 which expire in 2006. No income tax benefit has been reflected in the accompanying financial statements for this net operating loss carryforward.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company was formed on September 1, 1988 to design, assemble and market monitors for use with computers.

RESULTS OF OPERATIONS

Quarters Ended June 30, 1991 and 1990

Net sales for the quarter ended June 30, 1991 increased $57,775 or 53.0% over the comparable period in 1990. This increase was primarily due to an increase in marketing activity during 1991.

Gross profit increased $4,348 or 21.7% over the comparable period in 1990 and the gross profit percentage decreased from 18.3% to 14.6%. These changes were due to the addition of a color monitor to the product line during 1991. Color monitors have a lower gross profit per unit than other products.

Selling, general and administrative expenses for the three months ended June 30, 1991 increased $192,553 or 280.8% from the comparable period in 1990. This increase was due to the issuance of 294,982 shares of common stock to nonofficer employees for past services ($147,491) and an increase of one salesman.

Interest expense decreased by $5,532 primarily due to the conversion of the notes payable due to officers into common stock in April 1991.

Six Months Ended June 30, 1991 Versus June 30, 1990

Net sales for the six months ended June 30, 1991 increased $164,360 or 83.3% over the comparable period in 1990. This increase was primarily due to an increase in marketing activity during 1991.

Gross profit for the six months ended June 30, 1991 increased $15,913 or 44.3% over the comparable period in 1990, and the gross profit percentage decreased from 18.2% to 14.3%. These changes were due to a number of factors including the addition of a color monitor to the product line during 1991. Color monitors have a lower gross profit per unit than other products.

Selling, general and administrative expenses for the six months ended June 30, 1991 increased $174,682 or 126.4% over the comparable period in fiscal 1990 due to the issuance of 294,982 shares of common stock to nonofficer employees for past services ($147,491) and the addition of one salesman.

Interest expense decreased $6,922 over the comparable period in fiscal 1990 due to conversion of the notes payable due to officers into common stock in April of 1991.

Liquidity and Capital Resources

Cash used for operating activities for the six months ended June 30, 1991 totaled $176,249, an increase of $54,843 over the comparable period in 1990. This increase was primarily due to a buildup of inventories to meet market demand.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cash provided by financing activities for the six months ended June 30, 1991 totaled $185,092, resulting from the borrowing of additional long-term debt and the proceeds from sale of common stock.

The Company's primary source of liquidity at June 30, 1991 was cash of $15,649. The Company is currently in the process of completing a public offering of $1,000,000 shares at $1 per share. The Company believes that proceeds expected to be received from the public offering will be adequate to meet the anticipated short-term liquidity and capital resource requirements of its business.

IMAGE SYSTEMS CORPORATION
PART II
OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The Company did not file any reports on Form 8-K during the quarter covered by this Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 27, 1992

IMAGE SYSTEMS CORPORATION
Registrant

By Dean F Scheff
Dean Scheff, Chief Executive Officer

Dean F Scheff
Dean Scheff, Chief Executive Officer
(Principal Financial Officer)

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1991

OR

____ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File Number 3~~3-4250C~~ C-4331

IMAGE SYSTEMS CORPORATION
(Exact name of registrant as specified in its charter)

Minnesota	41-1620497
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
11543 K-Tel Drive, Hopkins, Minnesota	55343
(Address of principal executive offices)	(Zip Code)

(612) 935-1171
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ____ No X

As of March 18, 1992, there were 4,325,722 shares of Common Stock, $0.01 par value per share, outstanding.

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Part 1. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

IMAGE SYSTEMS CORPORATION

BALANCE SHEETS

(Unaudited)

	September 30, 1991	December 31, 1990
ASSETS		
CURRENT ASSETS:		
Cash	$245,388	$ 6,816
Accounts receivable	148,053	126,406
Inventory	410,552	272,501
Prepaid expenses	330	3,970
Total current assets	804,323	409,693
FURNITURE, FIXTURES AND EQUIPMENT, net	10,949	14,346
OTHER ASSETS	1,490	1,490
Total assets	$816,762	$425,529
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
CURRENT LIABILITIES:		
Notes payable to officer (Note 2)	$ -	$150,000
Accounts payable	174,719	87,247
Accrued liabilities	15,770	105,825
Total current liabilities	190,489	343,072
LONG-TERM NOTES PAYABLE TO OFFICERS (Note 2)	28,722	657,540
STOCKHOLDERS' INVESTMENT (Notes 2 and 3):		
Common stock, no par value, 10,000,000 authorized, 3,955,019 and 1,350,000 shares issued and outstanding	647,981	(575,083)
Deficit accumulated since June 5, 1991	(50,430)	-
	597,551	(575,083)
	$816,762	$425,529

See accompanying notes to financial statements.

Item 1. FINANCIAL STATEMENTS

IMAGE SYSTEMS CORPORATION

STATEMENTS OF OPERATIONS

(Unaudited)

	For the Quarters Ended September 30		For the Nine Months Ended September 30	
	1991	1990	1991	1990
NET SALES	$ 301,535	$170,398	$ 663,064	$ 367,567
COST OF PRODUCTS SOLD	253,033	134,453	562,710	295,683
Gross profit	48,502	35,945	100,354	71,884
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	71,389	73,897	384,578	212,224
Operating loss	(22,887)	(37,952)	(284,224)	(140,340)
INTEREST EXPENSE	11,938	18,922	37,826	51,732
Net loss	$ (34,825)	$(56,874)	$(322,050)	$(192,072)
NET LOSS PER SHARE	$ (.01)	$ (.04)	$ (.13)	$ (.14)
AVERAGE COMMON SHARES OUTSTANDING	3,353,000	1,350,000	2,561,000	1,350,000

See accompanying notes to financial statements.

Item 1. FINANCIAL STATEMENTS

IMAGE SYSTEMS CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1991 AND 1990

(Unaudited)

	1991	1990
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(322,050)	$(192,072)
Adjustments to reconcile net loss to net cash used for operating activities-		
Depreciation and amortization	3,397	4,102
Common stock issued for services	147,491	-
Changes in current assets and liabilities:		
Accounts receivable	(21,647)	(31,816)
Prepaid expenses	3,640	1,024
Inventories	(138,051)	22,742
Accounts payable	87,472	(20,362)
Accrued liabilities	38,427	53,579
Cash flows used for operating activities	(201,321)	(162,803)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Furniture, fixtures and equipment additions	-	(5,220)
Cash flows used for investing activities	-	(5,220)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock, net of offering costs	571,823	-
Borrowing (repayment) of long-term notes payable to officers	(131,930)	139,019
Cash flows provided by financing activities	439,893	139,019
Increase (decrease) in cash	238,572	(29,004)
CASH AT BEGINNING OF PERIOD	6,816	54,745
CASH AT END OF PERIOD	$245,388	$ 25,741
SUPPLEMENTAL OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 9,999	$ 483

See accompanying notes to financial statements.

Item 1. FINANCIAL STATEMENTS

IMAGE SYSTEMS CORPORATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1991 and 1990

(Unaudited)

1. ACCOUNTING POLICIES:

The information furnished in this report is unaudited but reflects all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods and are of a normal recurring nature. The operating results for the nine months ended September 30, 1991 are not necessarily indicative of the operating results to be expected for the full fiscal year. These statements should be read in conjunction with the Company's most recent audited financial statements included in the Company's Prospectus dated August 28, 1991.

2. SALE OF COMMON STOCK:

Effective August 28, 1991, the Company offered 1,000,000 shares in a public offering at $1 per share. On September 27, 1991, the Company sold 629,297 shares and received proceeds, net of offering costs, of $506,823. The Company repaid a $251,904 loan to a shareholder with a portion of the proceeds.

Subsequent to September 30, 1991, the Company sold 370,703 shares and received additional proceeds, net of offering costs, of $308,495. Warrants to purchase 100,000 shares at $1.20 per share of the Company's common stock were issued to the underwriter in connection with this offering.

3. TERMINATION OF S CORPORATION TAX ELECTION:

Effective June 5, 1991, the Company terminated its S corporation tax election. Accordingly, the accumulated deficit through June 5, 1991 of $1,046,703 was eliminated against common stock.

Since June 5, 1991, the Company has accumulated net operating loss carryforwards for federal income tax purposes of approximately $50,000 which expire in 2006. No income tax benefit has been reflected in the accompanying financial statements for this net operating loss carryforward.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company was formed on September 1, 1988 to design, assemble and market monitors for use with computers.

RESULTS OF OPERATIONS

Quarters Ended September 30, 1991 and 1990

Net sales for the quarter ended September 30, 1991 increased $131,137 or 77% over the comparable period in 1990. This increase was primarily due to an increase in marketing activity during 1991.

Gross profit increased $12,577 or 34.9% over the comparable period in 1990 and the gross profit percentage decreased from 21.1% to 16.1%. These changes were due to the addition of a color monitor to the product line during 1991. Color monitors have a lower gross profit per unit than other products.

Selling, general and administrative expenses for the quarters ended September 30, 1991 and 1990 were comparable.

Interest expense decreased by $6,984 primarily due to the conversion of the notes payable due to officers into common stock in April 1991.

Nine Months Ended September 30, 1991 Versus September 30, 1990

Net Sales for the nine months ended September 30, 1991 increased $295,497 or 80.4% over the comparable period in 1990. This increase was primarily due to an increase in marketing activity during 1991.

Gross profit for the nine months ended September 30, 1991 increased $28,470 or 39.6% over the comparable period in 1990, and the gross profit percentage decreased from 19.6% to 15.1%. These changes were due to the addition of a color monitor to the product line during 1991. Color monitors have a lower gross profit than other products.

Selling, general and administrative expenses for the nine months ended September 30, 1991 increased $172,354 or 81.2% over the comparable period in fiscal 1990 due to the issuance of 294,982 shares of common stock to nonofficer employees for past services ($147,491) and an increase of two salesmen.

Interest expense decreased $13,906 over the comparable period in fiscal 1990 due to conversion of the notes payable due to officers into common stock in April of 1991.

Liquidity and Capital Resources

Cash used for operating activities for the nine months ended September 30, 1991 totaled $201,321, an increase of $38,518 over the comparable period in fiscal 1990. This increase was primarily due to a buildup of inventories to meet market demands.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cash provided by financing activities for the nine months ended September 30, 1991 totaled $439,893, resulting primarily from the proceeds from sale of common stock. These proceeds were partially used to pay down a note payable due to an officer.

The Company's primary source of liquidity at September 30, 1991 was cash of $245,388. The Company believes that cash is adequate to meet the anticipated short-term liquidity and capital resource requirements of its business.

Further, subsequent to September 30, 1991, the Company sold 370,703 shares of common stock and received additional proceeds, net of offering costs, of $308,495.

IMAGE SYSTEMS CORPORATION
PART II
OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The Company did not file any reports on Form 8-K during the quarter covered by this Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 27, 1992

IMAGE SYSTEMS CORPORATION
Registrant

By
Dean Scheff, Chief Executive Officer

Dean Scheff, Chief Executive Officer
(Principal Financial Officer)

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

APR 27 1992

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Form 10-Q

Quarterly Report Under Section 13 or 15 (d) of the Securities and Exchange Act of 1934

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For the 24 Weeks Ended: March 12, 1992 Commission File No. 33-31660C

KWIK TRIP FINANCIAL, INC.
(Exact name of Registrant as specified in its charter)

Wisconsin	39-1652911
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification No.)

1626 Oak Street
La Crosse, WI 54601

(Address of principal executive offices)

Registrant's telephone number, including area code: (608) 781-8988

* * * * * * * * * * * * * * * * * * * *

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 of 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the Registrant was required to file any such reports), and (2) has been subject to such filing requirements for at least the past 90 days.

Yes __X__ No ______

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the latest practicable date.

Class	Outstanding at March 12, 1992
Common Stock, $1.00 par value	800

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

KWIK TRIP FINANCIAL, INC.

BALANCE SHEET

March 12, 1992 and September 28, 1991

ASSETS	March 12 1992 (Unaudited)	September 28 1991
Notes receivable, Kwik Trip, Inc.	$7,338,000	$7,469,000
Interest receivable, Kwik Trip, Inc.	61,573	68,347
Cash	18,289	25,849
	$7,417,862	$7,563,196

LIABILITIES AND STOCKHOLDER'S EQUITY		
Liabilities:		
Notes payable		
Related parties	$ 651,000	$ 651,000
Other	6,060,000	6,172,000
Accounts payable, Kwik Trip, Inc.	-0-	12,083
Accrued interest payable	134,220	159,904
Income taxes payable	53	12,536
Total liabilities	$6,845,273	$7,007,523
Stockholders Equity:		
Common stock, par value $1 per share; authorized 2,800 shares; issued 800 shares	$ 800	$ 800
Additional paid-in capital	499,900	499,900
Retained earnings	71,889	54,973
	$ 572,589	$ 555,673
	$7,417,862	$7,563,196

KWIK TRIP FINANCIAL, INC.

STATEMENT OF OPERATIONS

(Unaudited)

	12 Weeks Ended March 12, 1992	12 Weeks Ended March 14, 1991	24 Weeks Ended March 12, 1992	24 Weeks Ended March 14, 1991
Interest income	$184,611	$115,142	$371,119	$212,048
Interest expense	155,105	85,880	305,857	157,261
Net interest income	$ 29,506	$ 29,262	$ 65,262	$ 54,787
Operating expenses	39,526	21,798	43,246	37,922
Income before taxes	$(10,020)	$ 7,464	$ 22,016	$ 16,865
Federal and state income taxes (expense) credit	2,300	(1,709)	(5,100)	(3,862)
Net income	$ (7,720)	$ 5,755	$ 16,916	$ 13,003

KWIK TRIP FINANCIAL, INC.

STATEMENT OF CASH FLOWS

(Unaudited)

	12 Weeks Ended March 12, 1992	12 Weeks Ended March 14, 1991	24 Weeks Ended March 12, 1992	24 Weeks Ended March 14, 1991
ASH FLOWS FROM OPERATING ACTIVITIES				
Net Income (Loss)	$ (7,720)	$ 5,755	$ 16,916	$ 13,003
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Amortization	6,739	4,656	-0-	19,656
Changes in assets and liabilities:				
(Increase) Decrease in interest receivable	62,910	(6,496)	6,774	(9,650)
(Decrease) in accounts payable	(12,083)	-0-	(12,083)	(100)
Increase (Decrease) in accrued interest	(15,909)	3,970	(25,684)	75,265
Increase (Decrease) in income taxes payable	(5,605)	1,709	(12,483)	862
Net cash provided by (used in) operating activities	$ 28,332	$ 9,594	$ (26,560)	$ 99,036
ASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES				
Net collections (advances) on notes receivable	$ 49,000	$ (785,000)	$ 131,000	$(1,250,000)
ASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from long term borrowing	$ -0-	$ 883,000	$ -0-	$ 1,359,000
Repayment of long-term borrowing	(62,000)	(220,000)	(112,000)	(230,000)
Net cash provided by (used in) financing activities	$ (13,000)	$ (122,000)	$ 19,000	$ (121,000)
Increase (Decrease) in cash	$ 15,332	$ (112,406)	$ (7,560)	$ (21,964)
Cash:				
Beginning	2,957	123,338	25,849	32,896
Ending	$ 18,289	$ 10,932	$ 18,289	$ 10,932

KWIK TRIP FINANCIAL, INC.

NOTES TO INTERIM FINANCIAL STATEMENTS

(Unaudited)

Note 1. Adjustments:

The unaudited financial statements of the Company reflect all adjustments, consisting of normal recurring accruals, which are, in the opinion of management of the Company, necessary for a fair statement of the results for the interim periods presented.

Note 2. Related Party Transactions:

At March 12, 1992, the Company had the following related party balances:

Interest receivable	$ 61,573
Notes receivable	7,338,000
Thirteen month demand notes payable	651,000

The notes receivable are due on demand from Kwik Trip, Inc. The notes are unsecured and bear interest at 11% as of March 12, 1992. Net collection on the notes receivable were $112,000.

The Company incurred the following related party income and expenses:

	24 Weeks Ended March 12, 1991
Interest income	$ 371,119
Interest expense	29,607

Note 3. Notes Payable:

As of March 12, 1992, the Company had $6,711,000 of Series A Thirteen Month Demand Notes outstanding. The notes bear interest at 10%, are unsecured and mature and become payable thirteen months after receipt by the Company of a written demand for payment. As of March 12, 1992, the Company had not received demand for payment of any portion of the outstanding notes.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Financial Condition

Cash at March 12, 1992 was $18,289, compared to $25,849 at September 28, 1991, a decrease of $7,560. The Company's entire issue of Notes was sold out; thus, there were no Notes issued during the first 24 weeks of fiscal 1992. Holders demanded repayment of an aggregate of $112,000 in principal amount during the first 24 weeks of fiscal 1992. This compares to issuance of $1,359,000 in principal amount of Notes, and demand for repayment of an aggregate of $230,000 in the first 24 weeks of fiscal 1991.

Under its Indenture, the Company has the discretion to honor repayment demands sooner than the maximum term of thirteen months under the Notes. The Company exercised this discretion and honored all demands made in the first 24 weeks of fiscal 1992 within 90 days of demand. As of March 12, 1992, $6,711,000 in aggregate principal amount of Notes was outstanding and no demands for repayment were then pending.

As of March 12, 1992, the principal amount of the Company's notes receivable outstanding was $7,338,000, compared to $7,469,000 at September 28, 1991, all from Kwik Trip. The principal amount of the Company's loans outstanding fluctuates during the year depending upon the issuance and redemption of Notes and upon the capital needs of entities affiliated with the Company.

Management believes that the Company has adequate cash and other resources available to meet its financial needs over the next 12 months. Other than the remote possibility of receiving, within a short period of time, requests for redemption of all or substantially all of the outstanding Notes, the Company knows of no anticipated or future requirement that would be expected to change substantially.its liquidity position after the next 12 months, although there can be no assurance that such change will not occur.

Results of Operations

The Company earned interest income of $371,119 in the first 24 weeks of fiscal 1992, and $212,048 in the comparable period of fiscal 1991. For the 12 weeks ended March 12, 1992, the Company earned interest income of $184,611, compared to $115,142 for the comparable period in fiscal 1991. The Company's only loans have been to its affiliated company, Kwik Trip. Loans to Kwik Trip were unsecured, demand obligations, issued at the annual interest rate of 11%, simple, in fiscal 1992 and 12%, simple, in fiscal 1991. The Company's ability to loan funds to Kwik Trip is directly related to the principal amount of Notes the Company issues from time to time, net of the amount of pending requests for redemption of Notes, if any.

The Company's interest expense with respect to the Notes was $305,857 in the first 24 weeks of fiscal 1992, and $157,261 in the comparable period of fiscal 1991. For the 12 weeks ended March 12, 1992, the Company's interest expense with respect to the Notes was $155,105, compared to $85,880 for the comparable period in fiscal 1991. The Notes were issued at the annual rate of 10%, simple.

Net interest income was $65,262 in the first 24 weeks of fiscal 1992, and $54,787 in the comparable period of fiscal 1991. For the 12 weeks ended March 12, 1992, the Company's net interest income was $29,506, compared to $29,262 for the comparable period in fiscal 1991. The Company's net interest income is directly related to the difference between interest earned on loans to Kwik Trip and interest paid with respect to the Notes. The difference between these rates is currently 1%.

Operating expenses of $43,246 in the first 24 weeks of fiscal 1992, and $37,922 in the comparable period of fiscal 1991. For the 12 weeks ended March 12, 1992, the Company's operating expenses were $39,526, compared to $21,798 for the comparable period in fiscal 1991. The balance of operating expenses relates primarily to accounting and legal fees incurred in connection with ongoing compliance with the applicable state and federal securities laws. In the 12-week period ending March 12 1992, additional legal and accounting expenses were incurred in connection with a proposed offering of Series B Notes which was abandoned. The Company does not have other significant operating expenses.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

None.

(b) Reports on Form 8-K:

No reports on Form 8-K have been filed during the fiscal period for which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

April 24, 1992
(Date)

Kwik Trip Financial, Inc.
(Registrant)

Donald G. Brueggen
On behalf of the Registrant
and as Treasurer and Principal
Financial Officer

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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92-2251 9/4

[X] Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

RECD S.E.C.
JUL 1992

JUL 1 1992

For the quarterly period ended September 30, 1991

OR

[ ] Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the transition period from ______________ to ______________

Commission file number 0-12519

LEZAK GROUP, INC.
(Exact name of registrant as specified in its charter)

Nevada	95-3850418
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)
1098 Lucerne Way, P.O. Box 7202, Incline Village, Nevada	89452
(Address of principal executive offices)	(Zip Code)

(818) 223-8807
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ____ No X

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes X No ____

As of June 1, 1992, there were 50,000,000 shares of common stock issued and to be issued.

Total sequentially numbered pages in this document: 9.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LEZAK GROUP, INC.
CONDENSED BALANCE SHEETS

	June 30, 1991 (Audited)	September 30, 1991 (Unaudited)
ASSETS		
CURRENT ASSETS		
Cash	$ 59,759	$ 101,490
Marketable securities - related company	110,189	44,287
TOTAL CURRENT ASSETS	169,948	145,777
OTHER ASSETS		
Note receivable - related company (Note 2)		357,605
Advance to Chairman (Note 3)		25,000
Cash surrender value of Chairman's life insurance policy	6,000	7,000
Deposit - acquisition of property (Note 4)		350,000
	6,000	739,505
	$ 175,948	$ 885,382
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 28,596	$ 24,887
Due to Chairman	70,000	72,750
Income taxes payable		5,000
TOTAL CURRENT LIABILITIES	98,596	102,637
SHAREHOLDERS' EQUITY		
Common stock, Class A, $.03 par value, 50,000,000 shares authorized; 50,000,000 shares issued and to be issued at June 30, 1991 and September 30, 1991	1,500,000	1,500,000
Capital in excess of par	2,375,066	2,375,066
Deficit	(3,797,714)	(3,092,321)
	77,352	782,745
	$ 175,948	$ 885,382

See accompanying Notes to Condensed Financial Statements.

LEZAK GROUP, INC.
CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)
THREE MONTHS ENDED SEPTEMBER 30, 1990 AND 1991

	Three Months Ended September 30, 1990	Three Months Ended September 30, 1991
REVENUES		
Interest -		
Related company (Note 2)	$ 831	$ 7,605
Other	831	908
Gain on sale of marketable securities - Related company		727,598
TOTAL REVENUES	1,662	736,111
COSTS AND EXPENSES		
General and administrative	12,680	18,559
Compensation, primarily to Chairman	31,190	
Cost of indemnification to Chairman	2,750	2,750
Loss from investments, primarily affiliated companies	14,131	4,409
TOTAL COSTS AND EXPENSES	60,751	25,718
INCOME (LOSS) BEFORE INCOME TAXES	(59,089)	710,393
INCOME TAXES		221,000
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(59,089)	489,393
EXTRAORDINARY ITEM - UTILIIZATION OF NET OPERATING LOSS CARRYFORWARD		216,000
NET INCOME (LOSS)	$ (59,089)	$ 705,393
NET INCOME (LOSS) PER COMMON SHARE		
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	$ nil	$ .01
EXTRAORDINARY ITEM	nil	—
NET INCOME (LOSS)	$ nil	$ .01
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING AND TO BE ISSUED	49,767,413	50,000,000

See accompanying Notes to Condensed Financial Statements.

LEZAK GROUP, INC.
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)
THREE MONTHS ENDED SEPTEMBER 30, 1990 AND 1991

	Three Months Ended September 30, 1990	Three Months Ended September 30, 1991
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (59,089)	$ 705,393
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Gain on sale of marketable securities		(727,598)
Changes in operating assets and liabilities:		
Advance to Chairman		(25,000)
Increase in cash surrender value of Chairman's life insurance policy	(500)	(1,000)
Decrease in accounts payable and accrued liabilities	(16,813)	(3,709)
Increase (decrease) in due to Chairman	(24,506)	2,750
Increase in income taxes payable		5,000
NET CASH USED IN OPERATING ACTIVITIES	(100,908)	(44,164)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in note receivable - related company	(831)	(357,605)
Deposit - acquisition of property		(350,000)
Proceeds from sale of marketable securities	6,250	793,500
NET CASH PROVIDED BY INVESTING ACTIVITIES	5,419	85,895
NET INCREASE (DECREASE) IN CASH	(95,489)	41,731
CASH BALANCE		
Beginning of period	109,504	59,759
End of period	$ 14,015	$ 101,490

See accompanying Notes to Condensed Financial Statements.

LEZAK GROUP, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
SEPTEMBER 30, 1991

1. Comments

The accompanying condensed financial statements are unaudited but, in the opinion of the management of the Company, contain all adjustments, consisting of only normal recurring accruals, necessary to present fairly the financial position at September 30, 1991, and the results of operations and the changes in cash flows for the three months ended September 30, 1990 and 1991. Certain information and footnote disclosures normally included in financial statements that have been prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission, although management of the Company believes that the disclosures contained in these financial statements are adequate to make the information presented therein not misleading. For further information, refer to the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1991, as filed with the Securities and Exchange Commission.

The results of operations for the three months ended September 30, 1991, are not necessarily indicative of the results of operations to be expected for the full fiscal year ending June 30, 1992.

2. Line of Credit to L.A. Entertainment, Inc.

During July 1991, the Company provided a $400,000 line of credit, secured by inventory and accounts receivable, to L.A. Entertainment, Inc. ("LAET"), a related party, with interest payable monthly at 12%, and due on January 15, 1993. At September 30, 1991, $350,000 had been advanced to LAET. LAET is not current in its obligation to pay the accrued interest on the line of credit on a monthly basis.

3. Advance to Chairman

During September 1991, the Company advanced $25,000 to its Chairman on a non-interest bearing basis. It is anticipated that the terms and conditions of the advance will be determined by the Board of Directors of the Company.

4. Acquisition of Property

Effective March 26, 1992, the Company acquired a 211 unit apartment building known as Castaways/Hidden Harbor, located in Warner Robins, Georgia (the "Property"). The Company acquired the Property by purchasing all of the partnership interests of a Florida limited partnership known as the Castaways/Hidden Harbor Partners, Ltd. (the "Partnership"), the principal asset of which was the Property.

The Company paid $4,000,000 to acquire the Property, and recorded the transaction as follows:

4. Acquisition of Property (continued)

Assumption of first mortgage liability	$ 1,430,000
Cash payment to CEIT (advanced on September 27, 1991)	350,000
Issuance of convertible promissory note to CEIT (subsequently assigned to Colonial Service Corp.), with interest at 10%, secured by assignment of the Company's interest in the Partnership, convertible at 30% of market price beginning October 1, 1992	920,000
Issuance of 125,000 shares of Series A preferred stock, $10.00 redemption price, to CEIT	1,250,000
Assumption of certain operating liabilities	50,000
Addition to property	$ 4,000,000

The Company is currently in negotiations with the lender to restructure and extend the first mortgage liability due June 30, 1992.

As a result of the payment of the $350,000 cash, the issuance of the $920,000 convertible note, and the issuance of the 125,000 shares of preferred stock, the Partnership's unsecured promissory note to Colonial Service Corp. in the approximate amount of $3,500,000 held by CEIT as assignee was deemed paid in full.

The general partner of the Partnership was Equity Realty, Inc., a Delaware corporation, which was indirectly controlled by entities controlled by California Equities Investment Trust ("CEIT") and Southern California Equity Investments, Inc. ("SCEI"). Bruce W. Littell was the limited partner in the Partnership, and his interest had been acquired by the general partner.

The 125,000 shares of the Company's Series A preferred stock were issued to CEIT. Each share of preferred stock is convertible at the election of CEIT into 480 shares of the Company's common stock at any time after March 1, 1993. In addition, CEIT has the right to vote its preferred stock as a class with the holders of the common stock on all matters submitted to shareholders as if CEIT had converted its shares of preferred stock into common stock as of the record date for such shareholder vote. Accordingly, the preferred stock that was issued to CEIT represents approximately 55% of the voting common equity of the Company, and CEIT may be deemed to have the ability to direct the Company's management and policies.

The Chairman is the founder, President and a major shareholder of the Company. The Chairman is also the Chairman and President of L.A. Entertainment, Inc. ("LAET"). The Chairman and the Company were instrumental in the formation and financing of LAET during its initial stages of operation in 1984 and 1985, as a result of which both the Company and the Chairman acquired a substantial equity interest in LAET.

Sherman Mazur owns approximately 5.0% of the outstanding shares of common stock of LAET, and also owns Colonial Service Corp., a Florida corporation. Equity Realty, Inc. is 10% owned by SCEI and 90% owned by Western Pacific Equities, LP ("WPE"). Ms. Adele Kaplan, the sister of Mr. Mazur, is the sole trustee of CEIT, an irrevocable family trust that by virtue of its 80% ownership of WPE, has effective control over WPE. Western Pacific Family Equities, LP and SCEI, both of which are owned by Bruce W. Littell, in the aggregate own 20% of WPE. The beneficiaries of CEIT are Mr. Mazur's minor children.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Three Months Ended September 30, 1990 and 1991

Financial Condition: The Company's working capital resources during the three months ended September 30, 1991 were provided by the sale of shares of common stock of L.A. Entertainment, Inc. ("LAET"), which provided gross proceeds of $794,000. The Company's operations for the three months ended September 30, 1991 utilized cash resources of $44,000, as compared to $101,000 for the three months ended September 30, 1990, reflecting the Company's efforts to reduce overhead to a level commensurate with its working capital resources. The Company's net working capital at September 30, 1991 was $43,000, as compared to $71,000 at June 30, 1991.

During September 1991, the Company advanced $350,000 as a deposit on the purchase of a property, which was completed on March 26, 1992 (see Note 4 of the Notes to the Condensed Financial Statements for information regarding the acquisition of the property). In addition, during the three months ended September 30, 1991, the Company advanced $350,000 to LAET under a line of credit due January 15, 1993. LAET, a related party, has not been able to maintain required interest payments on the line of credit (see Note 2 of the Notes to the Condensed Financial Statements for information regarding the line of credit to LAET).

Management believes that the Company's working capital resources and short-term investments will be sufficient to support operations during the year ending June 30, 1992.

Results of Operations: During the three months ended September 30, 1991, the Company's operations consisted primarily of the periodic sale of shares of LAET common stock; there were no sales of LAET common stock during the three months ended September 30, 1990. During these periods, the Company also incurred various general and administrative expenses. During the three months ended September 30, 1991, the Company recognized a gain on sale of marketable securities of $728,000 by selling 675,000 of the 735,000 shares of LAET common stock that it owned as of June 30, 1991.

General and administrative expenses for the three months ended September 30, 1990 and 1991 were $13,000 and $19,000, respectively. Compensation expense, primarily to the Chairman, was incurred during the three months ended September 30, 1990; effective July 1, 1991, management has agreed to provide its services to the Company without charge until the Company completes the acquisition of a significant operating business. In addition, the cost of indemnification to the Chairman, which totalled $2,750 during the three months ended September 30, 1990 and 1991, is expected to continue until a dispute between the Chairman and the Federal Deposit Insurance Corporation is resolved.

Loss from investments consists of amounts charged to expense related to investments in companies in the start-up or reorganization stage. The Company records a valuation reserve directly to operations at the time any funds are disbursed in an amount equal to the amount of the disbursement, and recognizes any gain on sale of securities received or collection of notes only when such amounts are realized.

PART II. OTHER INFORMATION

Items 1 through 6 are not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LEZAK GROUP, INC.
(Registrant)

Date: June 29, 1992

By:
Daniel Lezak
President and
Chief Financial Officer
(Principal Executive and
Financial and Accounting
Officer)

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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FORM 10-Q

Annual Repo * Pursuant to Section 13 or 15(d)
of The Securities Exchange Act of 1934

For the period ended September 30, 1991

1n421

Commission File: 33-33042-NY

LOGICAL COMPUTER SERVICES OF NEW YORK, LTD.
(Exact name of registrant as specified in its charter)

2

New York	Applied For
(State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)

22 Claridge Drive, Middletown, New Jersey 07748
Address of Principal Executive Offices - Zip Code

Registrant's telephone number, including area code: 908-671-0958

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceeding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [x] Yes [ ] No

The total number of shares outstanding as of September 30, 1991 was 674,077.

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LOGICAL COMPUTER SERVICES OF NEW YORK, LTD.
BALANCE SHEET
SEPTEMBER 30, 1991

ASSETS		
Current Assets		
Cash	$	-0-
Other Assets		
Organization Expense-Net		3,131

Total Assets	$	3,131
		======
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accrued Expenses		-0-
Shareholders' Equity		
Common Shares, $.001 par value, authorized 20,000,000 shares; issued and outstanding September 30, 1991 674,077 shares		3,370
Warrants- Class A 25,923 Class B 80,000 Class C 80,000		2,500
Capital in Excess of par		134,499
Unrealized Loss-Investment in jointly owned company		(86,506)
Retained Earnings		(50,732)

Total Liabilities and Shareholders' Equity		3,131
		=======

LOGICAL COMPUTER SERVICES OF NEW YORK, LTD.
STATEMENT OF PROFIT AND LOSS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1991

General and Administrative Expenses:		
Amortization	$	665
Net Loss	$	(665)

LOGICAL COMPUTER SERVICES OF NEW YORK, LTD.
STATEMENT OF STOCKHOLDERS EQUITY
SEPTEMBER 30, 1991

DATE	COMMON SHARES	"A" WARRANTS	"B" WARRANTS	"C" WARRANTS	AMOUNT
06/30/91	674,077	25,923	80,000	80,000	$ 3,353
09/30/91		Loss from operations			(222)
09/30/91	674,077	25,923	80,000	80,000	$ 3,131

LOGICAL COMPUTER SERVICES OF NEW YORK, LTD.
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1991

CASH FLOWS FROM OPERATING ACTIVITIES:		
Amortization	$ 665	
Total Cash Flows Used by Operations		$ 665
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of Common Shares	2,500	
Advances to jointly owned company	(2,000)	
Investment in jointly owned company	(86,506)	
Unrealized loss on investment from jointly owned company	86,006	
Decrease in organization costs	(665)	
Total Cash Flows Provided (Used) By Investing Activities		(665)
NET DECREASE IN CASH		-0-
Cash at Beginning of Year		-0-
CASH AT END OF YEAR		-0-

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto authorized.

LOGICAL COMPUTER SERVICES OF NEW YORK, LTD.

By: ______________________
John A. Troster
President, Treasurer

By: ______________________
John A. Catricola
Vice President, Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities on the date(s) indicated.

John A. Troster President/Treasurer Dated: March 15, 1992

John A. Catricola Vice-Pres,Secretary Dated: March 15, 1992

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended September 30, 1991

APR 1 1992

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or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the period from ____________ to ____________

Commission file number 0 - 13789

Nastech Pharmaceutical Company, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	11-2658569 (I.R.S. Employer Identification No.)
129 Oser Ave. Hauppauge, New York (Address of principal executive offices)	11788 (Zip Code)

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Q-Data Corp. - St. Petersburg, FL

(516) 273-0101
(Registrant's telephone number, including area code)

L30

None
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

DATE	CLASS	SHARES OUTSTANDING
9/30/91	Common stock - $.002 par value	3,684,991

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NASTECH PHARMACEUTICAL COMPANY, INC.
(A Development Stage Enterprise)
September 30, 1991

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NASTECH PHARMACEUTICAL COMPANY, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
BALANCE SHEET (UNAUDITED)

ASSETS

	SEPTEMBER 30, 1991	JUNE 30, 1991
CURRENT ASSETS:		
Cash	$419,809	$3,358
Royalties and other receivables	$82,049	$533,865
Accounts receivable	$1,387	$9,728
Inventories	$0	$5,000
Prepaid expenses and sundry	$6,870	$13,815
	$510,115	$565,766
PROPERTY AND EQUIPMENT	$243,408	$243,407
Less: Accumulated depreciation and amortization	$144,428	$138,855
	$98,980	$104,552
OTHER ASSETS:		
Security deposits	$5,613	$5,613
	$614,708	$675,931

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES:		
Accounts payable	$508,803	$501,221
Accrued interest	$213,974	$186,447
Accrued expenses and sundry liabilities	$207,945	$207,129
Notes and loans payable	$7,461	$20,607
Current maturities of long-term debt	$608,592	$606,736
	$1,546,775	$1,522,140
LONG-TERM DEBT - NET OF CURRENT MATURITIES	$122,396	$125,273
DEFERRED INCOME TAXES PAYABLE	$80,000	$80,000
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock - par value $.002 per share, aurhorized 5,000,000 shares, issued and outstanding 3,684,991 shares at September 30, 1991 and 2,802,638 at June 30, 1991	$7,370	$5,605
Additional paid-in capital	$5,017,979	$4,869,744
Deficit accumulated during the development stage	($6,009,812)	($5,926,831)
	($984,463)	($1,051,482)
Less: Subscriptions Receivable	$150,000	—
	($1,134,463)	($1,051,482)
	$614,708	$675,931

NASTECH PHARMACEUTICAL COMPANY, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
STATEMENT OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30, 1991	Three Months Ended September 30, 1990	Cumulative from Inception to September 30, 1991
REVENUES			
Sales of Patent Rights and Research Information			$1,250,000
Sales – Pro-gesic	$13,394	$40,717	$178,889
License Fee, Royalty and Research Income	$82,049	$58,710	$1,749,236
Insurance Proceeds	--	--	$500,000
Interest Income	$4,971	$237	$285,573
	$100,414	$99,664	$3,963,698
COSTS AND EXPENSES			
Research and Development	$41,111	$149,485	$3,080,625
Payments in Lieu of Royalties	$25,000	$25,000	$800,000
Product and Marketing Costs – Pro-gesic – Net	$35,568	$177,263	$575,598
	$101,679	$351,748	$4,456,223
General and Administrative	$53,560	$123,462	$5,216,186
Interest Expense	$28,156	$20,203	$221,101
	$183,395	$495,413	$9,893,510
LOSS BEFORE INCOME TAXES	($82,981)	($395,749)	($5,929,812)
DEFERRED INCOME TAXES	---	---	$80,000
NET LOSS	($82,981)	($395,749)	($6,009,812)
LOSS PER COMMON SHARE	($0.03)	($0.14)	($3.11)
AVERAGE NUMBER OF SHARES OUTSTANDING	3,061,589	2,802,599	1,932,903

See accompanying notes to financial statements.

NASTECH PHARMACEUTICAL COMPANY, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1991
(UNAUDITED) AND YEARS ENDED JUNE 30, 1991, 1990 AND 1989

	Common Stock		Additional Paid-In	Deficit Accumulated During the	
	Shares	Amount	Capital	Development Stage	Total
Balance - June 30, 1988	2,349,161	$4,698	$4,458,953	($4,295,570)	$168,081
Stock issued in connection with private placements at $2.00 per share	22,500	$45	$44,955		$45,000
Stock issued for services at $1.49 per share	18,500	$37	$27,463		$27,500
Stock issued in connection with license agreement at $2.00 per share	37,500	$75	$74,925		$75,000
Net loss				($627,066)	($627,066)
Balance - June 30, 1989	2,427,661	$4,855	$4,606,296	($4,922,636)	($311,485)
Stock issued in connection with private placements at $2.00 per share	20,000	$40	$39,960		$40,000
Stock issued in connection with private placements at $1.00 per share	100,000	$200	$99,800		$100,000
Stock issued in connection with exercise of Basil warrant 254,766 shares at $.4875 per share	254,766	$510	$123,688		$124,198
Additional shares issued in connection with reverse stock split	158				
Net loss				($441,733)	($441,733)
Balance - June 30, 1990	2,802,585	$5,605	$4,869,744	($5,364,369)	($489,020)
Stock issued in connection with private placement at $.17 per share	882,353	$1,765	$148,235		$150,000
Net (loss) three months ended September 30, 1991				($82,981)	($82,981)
BALANCE SEPTEMBER 30, 1991	3,684,991	$7,370	$5,017,979	($6,009,812)	($984,463)

NASTECH PHARMACEUTICAL COMPANY, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENT OF CASH FLOWS
(UNAUDITED)

	Cumulative from July 1, 1988 to September 30, 1991	For the Nine Months Ended September 30,	
		1990	1991
OPERATING ACTIVITIES:			
Net loss	($1,714,242)	($395,749)	($82,981)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation and amortization	$188,263	$16,609	$5,572
Amortization of deferred charges	$108,000	$11,625	
Abandonment leasehold improvements	$44,848	---	---
Issuance of common stock in payment of legal fees	$27,500	---	---
Issuance of common stock in payment of deferred loan costs	$75,000	---	---
Changes in assets and liabilities:			
Royalties and other receivables	($20,924)	$267,663	$451,816
Accounts receivable	($1,387)	$17,554	$8,341
Inventories	---	($1,437)	$5,000
Prepaid expenses and sundry	$21,437	$13.565	$6,945
Accounts payable	$315,447	$41,049	$7,582
Accrued interest payable	$213,974	$18,750	$27,527
Royalty received in advance	($25,000)	---	---
Accrued expenses and sundry liabilities	$190,565	$17,861	$816
Net cash used by operating activities	($576,519)	$7,490	$430,618
INVESTING ACTIVITIES:			
Capital expenditures	($94,688)	---	
Other assets	($77,913)	---	
Net cash used by investing activities	($172,601)	---	---
FINANCING ACTIVITIES:			
Proceeds from loans	$774,901	---	
Reduction in long-term debt	($103,910)	($8,883)	($14,167)
Proceeds from sale of common stock	$309,198	---	
Net cash provided by financing activities	$980,189	($8,883)	($14,167)
NET (DECREASE) IN CASH	$231,069	($1,393)	
CASH - BEGINNING	$188,740	$6,521	$3,358
CASH - ENDING	$419,809	$5,128	$419,809

See accompanying notes to financial statements

NASTECH PHARMACEUTICAL COMPANY, INC.
(A Development Stage Enterprise)

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Cumulative From Inception to June 30, 1988
APPLICATION OF FUNDS:	
Operations:	
Net Loss	($4,295,570)
Deduct Items not Affecting Working Capital:	
Depreciation and Amortization	$45,642
Deferred Income Taxes	$80,000
	($4,169,928)
Acquisition of property and equipment	($215,587)
Redemption of Common Stock	($550)
Costs Incurred for Registration of Common Stock held by Underwriter and Stock Option Plans	($48,200)
Increase in Security Deposit	($35,700)
	($4,469,965)
SOURCES OF FUNDS:	
Issuance of Common Stock and Warrants	$4,512,401
INCREASE IN WORKING CAPITAL	$42,436
INCREASE IN WORKING CAPITAL:	
Increase in Current Assets:	
Cash	$188,740
Royalty Receivable	$61,125
Prepaid Expenses and Sundry Receivables	$28,307
	$278,172
Increase in Current Liabilities:	
Accounts Payable	($193,356)
Royalties received in advance	($25,000)
Accrued Expenses and Sundry Liabilities	($17,380)
	($235,736)
INCREASE IN WORKING CAPITAL	$42,436
WORKING CAPITAL - BEGINNING	
WORKING CAPITAL - ENDING	$42,436

See Accompanying Notes to Financial Statements

NASTECH PHARMACEUTICAL COMPANY, INC.
(A Development Stage Enterprise)
Notes to Financial Statements (Unaudited)
September 30, 1991

(1) General

The accompanying financial information should be read in conjunction with the financial statements, including the notes thereto, for the year ended June 30, 1991.

The information furnished in this report reflects all adjustments (consisting of only normal recurring accruals) which are, in the opinion of management, necessary for a fair statement of the results for the interim periods.

In addition to the Company's licensing arrangements with the University of Kentucky Research Foundation, the Company has researched a number of drugs independently, for which patents have been applied.

All share and per share amounts included herein have been adjusted to reflect the 1:200 reverse stock split of January 2, 1990.

(2) Long-Term Debt

Long term debt consists of the following at September 30, 1991:

	1991
Loan Payable- Basil Properties due May 3, 1992 with interest at 12.5%	$600,000
Loan Payable- Basil Properties due February 15,1993	$120,000
Other	10,988
	$730,988
Less: Amount payable within one year	608,592
	$122,396

On May 3, 1989, Basil Properties (Basil) made a loan to the Company of $600,000. The loan was due the earlier of May 3, 1991 or the closing of a public offering of the capital stock of the Company. As part of the financing, the Company issued to Basil warrants to purchase up to 10% of the Company's outstanding Common stock.

On May 3, 1991 the Company was unable to repay the loan to Basil. Basil agreed to forbear from declaration of the loan and all accrued interest as immediately due and payable until May 3, 1992.

In consideration of this forbearance on July 17, 1991, Nastech issued a warrant granting Basil a five year right to purchase 200,000 shares of the common stock of the Company at a purchase price of $.125 per share, which price was equal to the fair market value of a share of Nastech common stock on the date of the agreement.

(3) Income Taxes

At September 30, 1991 the Company has net operating loss carryforwards of approximately $6,340,000 for income tax purposes, available to reduce future taxable income, expiring from 1998 through 2006.

The research and development expenditures incurred by the Company through June 30, 1986, are subject to the minimum tax provisions of the Internal Revenue Code. The deferred income tax liability at September 30, 1991 in the amount of $80,000 represents minimum taxes deferred until the Company utilizes its net operating loss carryforwards and obtains the benefit of the deduction of the research and development expenditures.

(4) Commitments and Contingencies

a. Minimum Royalty Payments:

In connection with the license agreement with the University of Kentucky Research Foundation ("UKRF"), the Company is to make royalty payments to UKRF with respect to sales of products covered under the patents licensed to the Company by UKRF. Payment of $25,000 every three months, beginning in December, 1983, must be made in lieu of a minimum royalty under the agreement.

Minimum royalty payments begin twelve months after FDA marketing approval for any product covered under the agreement is received by the Company. The minimum royalty during the first, second and each succeeding year beginning twelve months after FDA approval amounts to $100,000, $300,000, and $500,000, respectively.

In the event there are no unexpired patents licensed to the Company by UKRF covering the manufacture, use or sale of products, then the Company is to pay one half of such royalties and minimum royalties.

b. Leases:

On December 6, 1990, the Company leased office and laboratory space under a three-year lease agreement expiring on December 31, 1993. The following is a schedule of future minimum lease payments:

12 Months Ending September 30, 1992	$31,165
12 Months Ending September 30, 1993	33,019
12 Months Ending September 30, 1994	8,236
	$72,420

c. Insurance:
The Company maintains product liability insurance for its topical analgesic product, Pro-gesic.

(5) Joint Venture Agreement

On May 3, 1989, the Company and Basil agreed to form a joint venture on an equal equity basis for the purpose of exercising the exclusive rights to manufacture, distribute or market outside of the United States all pharmaceutical or other products or technology relating to nasal delivery owned by the Company, subject to the Company's existing international contracts.

The agreement provides for Basil to contribute $50,000 in cash as a capital contribution and the Company's capital contribution (valued at $50,000) to be represented by a transfer of its rights, title and interest in and to the manufacture, distribution and marketing outside of the United States of all pharmaceutical and other products and technology owned by the Company relating to nasal delivery.

At December 31, 1990 Nastech's share of accumulated losses of the joint venture amounted to $34,200. Nastech's equity in the joint venture has not been recorded on its books since all costs incurred by Nastech relating to the rights and technology transferred to the joint venture were charged to income incurred.

Basil shall exercise its best efforts to enter into licensing, marketing or other agreements to achieve the purpose of the joint venture.

The agreement provides for covenants not to compete for both parties and provides that Basil will either secure or provide a line of credit for the joint venture of $250,000.

(6) Contractual Agreements

The Company has entered into an exclusive agreement with Rugby for the manufacture, marketing and distribution of certain of the Company's products following FDA approval. The Company is to receive a percentage of net sales after Rugby has recovered certain costs incurred. On June 26, 1987 the Company entered into an agreement appointing Rugby as its exclusive licensee to manufacture, distribute and market propranolol. In consideration for the transfer of the propranolol research and development information, Rugby paid the Company $500,000 as follows: a) $300,000 upon execution of the agreement which was received and recorded as income during the year ended June 30, 1987 and b) $200,000 which was received and recorded as income during the year ended June 30, 1989.

In addition, in consideration of the granting of the exclusive license to the propranolol patents, Rugby paid the Company $100,000 as follows: a) $50,000 upon execution of this agreement which was received and recorded as income during the year ended June 30, 1987 and b) $50,000 which was received and recorded as income during the year ended June 30, 1989. Rugby has also agreed to pay the Company a 7% royalty based on net sales, as defined.

During November, 1985 the Company entered into an exclusive agreement with Nature's Bounty, Inc. under which Nature's Bounty, Inc. will manufacture, market and sell a non-prescription, nasally administered Vitamin B-12 dietary supplement. The financial arrangements include the Company receiving a percentage of net sales of this product.

In January, 1986 the Company licensed to Bristol-Myers Squibb, Inc. its patent to administer the drug butorphanol nasally, which resulted in license fee income of $50,000, $25,000 and $45,000 for the years ended June 30, 1990, 1989, and 1988, respectively. Prior to the marketing of this product, FDA approval must be obtained.

As part of a new investment agreement dated December 13, 1989, Basil and a group of other investors have given to the Company $300,000 to be used to finance the development, manufacturing, marketing and distribution of a new product "Pro-gesic". At June 30, 1990, the entire amount was used. The product and marketing costs of Pro-gesic in the statement of operations for 1990 are presented net of the $300,000.

The investors will receive 30% of the pre-tax profit from the sale of this product in the first year, 40% in the second year and 50% for each additional year. There was no profit on the sale of Pro-gesic through June 30, 1991 and, therefore, no amount is due to the investors presently.

On March 31, 1990 the Company entered into an agreement with Rugby-Darby Laboratories, Inc whereby the Company terminated the manufacturing and distribution agreement and sold its patent rights and research information relating to its developmental drug Metoclopramide in nasal delivery form for $700,000. Additionally, the Company is to receive royalties based upon net sales of the product.

The Company has entered into various agreements for the distribution and endorsement of Pro-gesic at varying commission and royalty rates.

(7) Continued Existence

The financial statements for the three months ended September 30, 1991 have been prepared on a continuing existence basis. However, the Company incurred a net loss of $82,981 during the three months ended September 30, 1991; losses cumulative since inception amount to $6009,812 and its liabilities exceeded its total assets by $1,134,463.

Management is awaiting FDA approval to market and sell several of the nasally administered drugs it has applied for which could result in the Company emerging from its development stage. It cannot be predicted when FDA approval will be forthcoming.

In addition, management is continually exploring ways of obtaining funds through loans or private or public equity financing opportunities.

NASTECH PHARMACEUTICAL COMPANY, INC.
(A Development Stage Enterprise)
Notes to Financial Statements (Unaudited)
September 30, 1991

Management is of the opinion that FDA approval will provide for the Company's commencement of profitable operations. Management believes that should it be able to secure adequate funds through financing opportunities, it will have sufficient resources for the Company to continue in existence until it can emerge from the development stage into a profitable operating entity. However, there is no certainty that FDA approval or such funding will be forthcoming.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operations - Quarter Ended September 30, 1991

During the quarter ending September 30, 1991, the Company continued to conduct the pharmacological research and assemble the technical and reference data required to gain marketing approval from the appropriate federal agencies for four new drug products. The Company's New Drug Application ("NDA") for a therapeutic, intranasal Vitamin B12 which was accepted for filing in February, 1989, is being supplemented with additional clinical data. To date, final approval by the FDA of this and other new drug products being developed by the Company cannot be predicted with any certainty, and no assurance can be given that any product will be approved. Until the Company receives approval to market its drugs from the appropriate governmental authorities, it anticipates having limited operating revenues.

Revenue totaling $82,049 was received by the Company as a result of licensing, royalty and research income.

A significant portion of the Company's revenues resulted from the continued marketing of the Company's non-prescription Vitamin B12 nasal gel by Nature's Bounty, Inc. However, in a regulatory letter, the FDA requested that Nature's Bounty discontinue the sale of this product contending that it is a new drug rather than a dietary supplement. The Company has been informed that Nature's Bounty, on the advice of its FDA counsel, has responded with a detailed explanation supporting its view that, as a vitamin being marketed for nutritional purposes only, the product is exempt from regulation as a drug. While this dispute is being litigated, the product continues to be sold.

The Company also received approximately $13,394 from the sales of Pro-gesic®, a liquid analgesic developed in the Company's laboratories. Due to the Company's limited liquidity as well as high initial manufacturing costs for Pro-gesic®, management has decided to defer any further marketing activities relating to Pro-gesic® until further notice.

In August, 1991, the Company received $500,000 representing insurance proceeds from a "Key Man" life insurance policy maintained on the life of Dr. Wenig, the Company's founder and former Chief Executive Officer.

Three Month Period Ended September 30, 1991 Compared With Prior Fiscal Years

As the Company continues to be in the developmental stage, the Company's activities continue to be focused primarily on conducting the pharmacological research and clinical trials in order to gain marketing approval for its first nasal pharmaceutical, its therapeutic intranasal Vitamin B12. As such, comparisons to prior periods are not reflective of any meaningful trends or developments in its operations.

In the quarter ended September 30, 1991, the Company concluded no material transactions involving sales of its intellectual property. Such sales had accounted for a significant portion of revenues in prior periods.

Liquidity and Capital Resources

As of the end of the quarter ended September 30, 1991, the Company had a working capital deficit of $1,036,660. The Company has been able to maintain its operations as a result of substantially reducing its operating costs and the receipt of insurance proceeds, as set forth above. Further, the Company was also able to retain a forebearance agreement from its principal creditor, Basil Properties.

The Company's continued liquidity for the present fiscal year is subject to the following: receipt of continued royalty and license fee income from existing sources; revenue from the sale of research information; continued reduction of operating costs; continued cooperation by the Company's principal creditor; possible revenues from the marketing of a new drug product, should such product be given marketing approval by the FDA; and/or the receipt of funds raised from an equity financing. However, there is no assurance that any of the foregoing will occur.

PART II - OTHER INFORMATION

Item 1.	Legal Proceedings None
Item 2.	Changes in Securities None
Item 3.	Defaults Upon Senior Securities None
Item 4.	Submission of Matters to a Vote of Security Holders None
Item 5.	Other Information None
Item 6.	Exhibits and Reports on Form 8-K None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, duly authorized at Hauppauge, New York on the 30th day of March, 1992.

NASTECH PHARMACEUTICAL COMPANY, INC.

BY: ____________________________
VINCENT ROMEO, President
and Chief Executive Officer

BY: ____________________________
JOEL GIRSKY, Director,
Treasurer & Principal Financial And
Accounting Officer

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

RECD S.E.C.
APR 1 1992
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FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended December 31, 1991

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

APR 1 1992

For the period from ________ to ________

Commission file number 0 - 13789

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Nastech Pharmaceutical Company, Inc.
(Exact name of registrant as specified in its char

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Q-Data Corp. - St. Petersburg, FL

Delaware
(State or other jurisdiction of incorporation or organization)

11-2658569
(I.R.S. Employer Identification No.)

PROCESSED BY
Apr 1992

129 Oser Ave. Hauppauge, New York
(Address of principal executive offices)

11788
(Zip Code)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

(516) 273-0101
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

DATE	CLASS	SHARES OUTSTANDING
12/31/91	Common stock - $.002 par value	3,684,991

NASTECH PHARMACEUTICAL COMPANY, INC.
(A Development Stage Enterprise)
December 31, 1991

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NASTECH PHARMACEUTICAL COMPANY, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
BALANCE SHEET (UNAUDITED)

ASSETS

	DECEMBER 31, 1991	JUNE 30, 1991
CURRENT ASSETS:		
Cash	$305,485	$3,358
Royalties and other receivables	$263,050	$533,865
Accounts receivable	$1,471	$9,728
Inventories	$5,000	$5,000
Prepaid expenses and sundry	$617	$13,815
	$575,623	$565,766
PROPERTY AND EQUIPMENT	$243,407	$243,407
Less: Accumulated depreciation and amortization	$150,001	$138,855
	$93,406	$104,552
OTHER ASSETS:		
Security deposits	$5,613	$5,613
	$674,642	$675,931

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	DECEMBER 31, 1991	JUNE 30, 1991
CURRENT LIABILITIES:		
Accounts payable	$400,493	$501,221
Accrued interest	$252,270	$186,447
Accrued expenses and sundry liabilities	$211,063	$207,129
Notes and loans payable	$4,961	$20,607
Current maturities of long-term debt	$605,753	$606,736
	$1,474,540	$1,522,140
LONG-TERM DEBT – NET OF CURRENT MATURITIES	$122,397	$125,273
DEFERRED INCOME TAXES PAYABLE	$80,000	$80,000
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock – par value $.002 per share, aurhorized 5,000,000 shares, issued and outstanding 3,684,991 shares at December 31, 1991 and 2,802,638 at June 30, 1991	$7,370	$5,605
Additional paid-in capital	$5,017,979	$4,869,744
Deficit accumulated during the development stage	($6,027,644)	($5,926,831)
	($1,002,295)	($1,051,482)
	$674,642	$675,931

NASTECH PHARMACEUTICAL COMPANY, INC.
(A Development Stage Enterprise)
STATEMENT OF OPERATIONS
(Unaudited)

	Six Months Ended December 31,	
	1991	1990
REVENUES		
Sales of Patent Rights and Research Information		
Sales – Pro–gesic	$19,612	$54,999
License Fee, Royalty and Research Income	$291,318	$104,966
Interest Income	$8,788	$450
	$319,718	$160,415
COSTS AND EXPENSES		
Research and Development	$137,550	$221,317
Payments in Lieu of Royalties	$50,000	$50,000
Product and Marketing Costs – Pro–gesic – Net	$48,757	$277,529
	$236,307	$548,846
General and Administrative	$117,620	$261,031
Interest Expense	$66,603	$39,406
	$420,530	$849,283
LOSS BEFORE INCOME TAXES	($100,812)	($688,868)
DEFERRED INCOME TAXES		
NET LOSS	($100,812)	($688,868)
LOSS PER COMMON SHARE	($0.03)	($0.19)
OUTSTANDING	$3,373,209	$2,802,585

See accompanying notes to financial statements.

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NASTECH PHARMACEUTICAL COMPANY, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE SIX MONTHS ENDED DECEMBER 31, 1991
(UNAUDITED) AND YEARS ENDED JUNE 30, 1991, 1990 AND 1989

	Common Stock		Additional Paid-In Capital	Deficit Accumulated During the Development Stage	Total
	Shares	Amount			
Balance - June 30, 1988	2,349,161	$4,698	$4,458,953	($4,295,570)	$168,081
Stock issued in connection with private placements at $2.00 per share	22,500	$45	$44,955		$45,000
Stock issued for services at $1.49 per share	18,500	$37	$27,463		$27,500
Stock issued in connection with license agreement at $2.00 per share	37,500	$75	$74,925		$75,000
Net loss				($627,066)	($627,066)
Balance - June 30, 1989	2,427,661	$4,855	$4,606,296	($4,922,636)	($311,485)
Stock issued in connection with private placements at $2.00 per share	20,000	$40	$39,960		$40,000
Stock issued in connection with private placements at $1.00 per share	100,000	$200	$99,800		$100,000
Stock issued in connection with exercise of Basil warrant 254,766 shares at $.4875 per share	254,766	$510	$123,688		$124,198
Additional shares issued in connection with reverse stock split	158				
Net loss				($441,733)	($441,733)
Balance - June 30, 1990	2,802,585	$5,605	$4,869,744	($5,364,369)	($489,020)
Additional shares issued in connection with reverse stock split	53				
Net loss				($562,462)	($562,462)
Balance at June 30, 1991	2,802,638	$5,605	$4,869,744	($5,926,831)	($1,051,482)
Stock issued in connection with private placement at $.17 per share	882,353	$1,765	$148,235		$150,000
Net (loss) six months ended December 31, 1991				($100,813)	($100,813)
BALANCE DECEMBER 31, 1991	3,684,991	$7,370	$5,017,979	($6,027,644)	($1,002,295)

NASTECH PHARMACEUTICAL COMPANY, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENT OF CASH FLOWS
(UNAUDITED)

	Cumulative from July 1, 1988 to December 31, 1991	For the Six Months Ended December 31,	
		1990	1991
OPERATING ACTIVITIES:			
Net loss	($1,732,073)	($688,868)	($100,812)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation and amortization	$193,837	$78,218	$11,146
Amortization of deferred charges	$108,000	$23,250	
Abandonment leasehold improvements	$44,848	---	---
Issuance of common stock in payment of legal fees	$27,500	---	---
Issuance of common stock in payment of deferred loan costs	$75,000	---	---
Changes in assets and liabilities:			
Royalties and other receivables	($201,925)	$344,617	$270,815
Accounts receivable	($1,471)	$38,136	$8,257
Inventories	($5,000)	$4,832	---
Prepaid expenses and sundry	$27,690	$17,059	$13,198
Accounts payable	$207,137	$85,609	($100,728)
Accrued interest payable	$252,270	$37,500	$65,823
Royalty received in advance	($25,000)	---	---
Accrued expenses and sundry liabilities	$193,683	$39,651	$3,934
Net cash used by operating activities	($835,504)	($19,996)	$171,633
INVESTING ACTIVITIES:			
Capital expenditures	($94,688)	---	---
Other assets	($77,913)	$30,588	---
Net cash used by investing activities	($172,601)	$30,588	---
FINANCING ACTIVITIES:			
Proceeds from loans	$774,901	---	---
Reduction in long-term debt	($109,249)	($12,126)	($19,506)
Proceeds from sale of common stock	$459,198	---	$150,000
Net cash provided by financing activities	$1,124,850	($12,126)	$130,494
NET (DECREASE) IN CASH	$116,745	($1,534)	$302,127
CASH - BEGINNING	$188,740	$6,521	$3,358
CASH - ENDING	$305,485	$4,987	$305,485

See accompanying notes to financial statements

NASTECH PHARMACEUTICAL COMPANY, INC.
(A Development Stage Enterprise)

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Cumulative From Inception to June 30, 1988
APPLICATION OF FUNDS:	
Operations:	
Net Loss	($4,295,570)
Deduct Items not Affecting Working Capital:	
Depreciation and Amortization	$45,642
Deferred Income Taxes	$80,000
	($4,169,928)
Acquisition of property and equipment	($215,587)
Redemption of Common Stock	($550)
Costs Incurred for Registration of Common Stock held by Underwriter and Stock Option Plans	($48,200)
Increase in Security Deposit	($35,700)
	($4,469,965)
SOURCES OF FUNDS:	
Issuance of Common Stock and Warrants	$4,512,401
INCREASE IN WORKING CAPITAL	$42,436
INCREASE IN WORKING CAPITAL:	
Increase in Current Assets:	
Cash	$188,740
Royalty Receivable	$61,125
Prepaid Expenses and Sundry Receivables	$28,307
	$278,172
Increase in Current Liabilities:	
Accounts Payable	($193,356)
Royalties received in advance	($25,000)
Accrued Expenses and Sundry Liabilities	($17,380)
	($235,736)
INCREASE IN WORKING CAPITAL	$42,436
WORKING CAPITAL – BEGINNING	
WORKING CAPITAL – ENDING	$42,436

See Accompanying Notes to Financial Statements

NASTECH PHARMACEUTICAL COMPANY, INC.
(A Development Stage Enterprise)
Notes to Financial Statements (Unaudited)
December 31, 1991

(1) General

The accompanying financial information should be read in conjunction with the financial statements, including the notes thereto, for the year ended June 30, 1991.

The information furnished in this report reflects all adjustments (consisting of only normal recurring accruals) which are, in the opinion of management, necessary for a fair statement of the results for the interim periods.

In addition to the Company's licensing arrangements with the University of Kentucky Research Foundation, the Company has researched a number of drugs independently, for which patents have been applied.

All share and per share amounts included herein have been adjusted to reflect the 1:200 reverse stock split of January 2, 1990.

(2) Long-Term Debt

Long term debt consists of the following at December 31, 1991:

	1991
Loan Payable- Basil Properties due May 3, 1992 with interest at 12.5%	$600,000
Loan Payable- Basil Properties due February 15,1993	120,000
Other	8,150
	$728,150
Less: Amount payable within one year	605,753
	$122,397

On May 3, 1989, Basil Properties (Basil) made a loan to the Company of $600,000. The loan was due the earlier of May 3, 1991 or the closing of a public offering of the capital stock of the Company. As part of the financing, the Company issued to Basil warrants to purchase up to 10% of the Company's outstanding Common Stock.

On May 3, 1991 the Company was unable to repay the loan to Basil. Basil agreed to forbear from declaration of the loan and all accrued interest as immediately due and payable until May 3, 1992.

In consideration of this forbearance on July 17, 1991, Nastech issued a warrant granting Basil a five year right to purchase 200,000 shares of the common stock of the Company at a purchase price of $.125 per share, which price was equal to the fair market value of a share of Nastech common stock on the date of the agreement.

(3) Income Taxes

At December 31, 1991 the Company has net operating loss carryforwards of approximately $6,358,000 for income tax purposes, available to reduce future taxable income, expiring from 1998 through 2006.

The research and development expenditures incurred by the Company through June 30, 1986, are subject to the minimum tax provisions of the Internal Revenue Code. The deferred income tax liability at December 31, 1991 in the amount of $80,000 represents minimum taxes deferred until the Company utilizes its net operating loss carryforwards and obtains the benefit of the deduction of the research and development expenditures.

(4) Commitments and Contingencies

a. Minimum Royalty Payments:

In connection with the license agreement with the University of Kentucky Research Foundation ("UKRF"), the Company is to make royalty payments to UKRF with respect to sales of products covered under the patents licensed to the Company by UKRF. Payment of $25,000 every three months, beginning in December, 1983, must be made in lieu of a minimum royalty under the agreement.

Minimum royalty payments begin twelve months after FDA marketing approval for any product covered under the agreement is received by the Company. The minimum royalty during the first, second and each succeeding year beginning twelve months after FDA approval amounts to $100,000, $300,000, and $500,000, respectively.

In the event there are no unexpired patents licensed to the Company by UKRF covering the manufacture, use or sale of products, then the Company is to pay one half of such royalties and minimum royalties.

b. Leases:

On December 6, 1990, the Company leased office and laboratory space under a three-year lease agreement expiring on December 31, 1993. The following is a schedule of future minimum lease payments:

12 Months Ending December 31, 1992	$31,658
12 Months Ending December 31, 1993	33,094
	$64,752

c. Insurance:
The Company maintains product liability insurance for its topical analgesic product, Pro-gesic.

(5) Joint Venture Agreement

On May 3, 1989, the Company and Basil agreed to form a joint venture on an equal equity basis for the purpose of exercising the exclusive rights to manufacture, distribute or market outside of the United States all pharmaceutical or other products or technology relating to nasal delivery owned by the Company, subject to the Company's existing international contracts.

The agreement provides for Basil to contribute $50,000 in cash as a capital contribution and the Company's capital contribution (valued at $50,000) to be represented by a transfer of its rights, title and interest in and to the manufacture, distribution and marketing outside of the United States of all pharmaceutical and other products and technology owned by the Company relating to nasal delivery.

At December 31, 1990 Nastech's share of accumulated losses of the joint venture amounted to $34,200. Nastech's equity in the joint venture has not been recorded on its books since all costs incurred by Nastech relating to the rights and technology transferred to the joint venture were charged to income incurred.

Basil shall exercise its best efforts to enter into licensing, marketing or other agreements to achieve the purpose of the joint venture.

The agreement provides for covenants not to compete for both parties and provides that Basil will either secure or provide a line of credit for the joint venture of $250,000.

(6) Contractual Agreements

The Company has entered into an exclusive agreement with Rugby for the manufacture, marketing and distribution of certain of the Company's products following FDA approval. The Company is to receive a percentage of net sales after Rugby has recovered certain costs incurred. On June 26, 1987 the Company entered into an agreement appointing Rugby as its exclusive licensee to manufacture, distribute and market propranolol. In consideration for the transfer of the propranolol research and development information, Rugby paid the Company $500,000 as follows: a) $300,000 upon execution of the agreement which was received and recorded as income during the year ended June 30, 1987 and b) $200,000 which was received and recorded as income during the year ended June 30, 1989.

In addition, in consideration of the granting of the exclusive license to the propranolol patents, Rugby paid the Company $100,000 as follows: a) $50,000 upon execution of this agreement which was received and recorded as income during the year ended June 30, 1987 and b) $50,000 which was received and recorded as income during the year ended June 30, 1989. Rugby has also agreed to pay the Company a 7% royalty based on net sales, as defined.

During November, 1985 the Company entered into an exclusive agreement with Nature's Bounty, Inc. under which Nature's Bounty, Inc. will manufacture, market and sell a non-prescription, nasally administered Vitamin B-12 dietary supplement. The financial arrangements include the Company receiving a percentage of net sales of this product.

In January, 1986 the Company licensed to Bristol-Myers Squibb, Inc. its patent to administer the drug butorphanol nasally, which resulted in license fee income of $50,000, $25,000 and $45,000 for the years ended June 30, 1990, 1989, and 1988, respectively. Prior to the marketing of this product, FDA approval must be obtained.

As part of an agreement dated December 13, 1989, Basil and a group of other investors have given to the Company $300,000 to be used to finance the development, manufacturing, marketing and distribution of a new product "Pro-gesic". At June 30, 1990, the entire amount was used. The product and marketing costs of Pro-gesic in the statement of operations for 1990 are presented net of the $300,000.

The investors will receive 30% of the pre-tax profit from the sale of this product in the first year, 40% in the second year and 50% for each additional year. There was no profit on the sale of Pro-gesic through June 30, 1991 and, therefore, no amount is due to the investors presently.

On March 31, 1990 the Company entered into an agreement with Rugby-Darby Laboratories, Inc. whereby the Company terminated the manufacturing and distribution agreement and sold its patent rights and research information relating to its developmental drug Metoclopramide in nasal delivery form for $700,000. Additionally, the Company is to receive royalties based upon net sales of the product.

The Company has entered into various agreements for the distribution and endorsement of Pro-gesic at varying commission and royalty rates.

(7) Continued Existence

The financial statements for the six months ended December 31, 1991 have been prepared on a continuing existence basis. However, the Company incurred a net loss of $100,812 during the six months ended December 31, 1991; losses cumulative since inception amount to $6027,644 and its liabilities exceeded its total assets by $1,002,295.

Management is awaiting FDA approval to market and sell several of the nasally administered drugs it has applied for which could result in the Company emerging from its development stage. It cannot be predicted when FDA approval will be forthcoming.

In addition, management is continually exploring ways of obtaining funds through loans or private or public equity financing opportunities.

Management is of the opinion that FDA approval will provide for the Company's commencement of profitable operations. Management believes that should it be able to secure adequate funds through financing opportunities, it will have sufficient resources for the Company to continue in existence until it can emerge from the development stage into a profitable operating entity. However, there is no certainty that FDA approval or such funding will be forthcoming.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operations - Quarter Ended December 31, 1991

During the quarter ending December 31, 1991, the Company continued to conduct the pharmacological research and assemble the technical and reference data required to gain marketing approval from the appropriate federal agencies for four new drug products. The Company's New Drug Application ("NDA") for a therapeutic, intranasal Vitamin B12 which was accepted for filing in February, 1989, is being supplemented with additional clinical data. To date, final approval by the FDA of this and other new drug products being developed by the Company cannot be predicted with any certainty, and no assurance can be given that any product will be approved. Until the Company receives approval to market its drugs from the appropriate governmental authorities, it anticipates having limited operating revenues.

Revenue totaling $291,318 was received by the Company as a result of licensing, royalty and research income. A majority of its revenue was realized as a result of an advance on royalties received from Bristol Myers Squibb, Inc. upon approval of an NDA filed by Bristol Myers Squibb for the marketing of nasal butorphanol.

A portion of the Company's revenues resulted from the continued marketing of the Company's non-prescription Vitamin B12 nasal gel by Nature's Bounty, Inc. However, in a regulatory letter, the FDA requested that Nature's Bounty discontinue the sale of this product contending that it is a new drug rather than a dietary supplement. The Company has been informed that Nature's Bounty, on the advice of its FDA counsel, has responded with a detailed explanation supporting its view that, as a vitamin being marketed for nutritional purposes only, the product is exempt from regulation as a drug. While this dispute is being litigated, the product continues to be sold.

The Company also received approximately $19,612 from the sales of Pro-gesic®, a liquid analgesic developed in the Company's laboratories. Due to the Company's limited liquidity as well as high initial manufacturing costs for Pro-gesic®, management has decided to defer any further marketing activities relating to Pro-gesic® until further notice.

Three Month Period Ended December 31, 1991 Compared With Prior Fiscal Years

As the Company continues to be in the developmental stage, the Company's activities continue to be focused primarily on conducting the pharmacological research and clinical trials in order to gain marketing approval for its first nasal pharmaceutical, its therapeutic intranasal Vitamin B12. As such, comparisons to prior periods are not reflective of any meaningful trends or developments in its operations.

In the quarter ended December 31, 1991, the Company concluded no material transactions involving sales of its intellectual property. Such sales had accounted for a significant portion of revenues in prior periods.

Liquidity and Capital Resources

As of the end of the quarter ended December 31, 1991, the Company had a working capital deficit of $898,917. The Company has been able to maintain its operations as a result of substantially reducing its operating costs and the receipt of certain "Key Man" insurance proceeds in August 1991, and the receipt of advance royalties from Bristol Myers Squibb, as set forth above. Further, the Company was also able to retain a forebearance agreement from its principal creditor, Basil Properties.

The Company's continued liquidity for the present fiscal year is subject to the following: receipt of continued royalty and license fee income from existing sources; revenue from the sale of research information; continued reduction of operating costs; continued cooperation by the Company's principal creditor; possible revenues from the marketing of a new drug product, should such product be given marketing approval by the FDA; and/or the receipt of funds raised from an equity financing. However, there is no assurance that any of the foregoing will occur.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings
None

Item 2. Changes in Securities
None

Item 3. Defaults Upon Senior Securities
None

Item 4. Submission of Matters to a Vote of Security Holders
None

Item 5. Other Information
None

Item 6. Exhibits and Reports on Form 8-K
None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, duly authorized at Hauppauge, New York on the 30th day of March, 1992.

NASTECH PHARMACEUTICAL COMPANY, INC.

BY: ______________________________
VINCENT ROMEO, President
and Chief Executive Officer

BY: ______________________________
JOEL GIRSKY, Director,
Treasurer & Principal Financial And
Accounting Officer

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended: **December 31, 1991**

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92-2251

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ___________ to ___________

Commission file number: 0-18260

THE NEW WORLD POWER CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**52-1659436**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
152 East 74th Street **New York, New York**	**10021**
(Address of principal executive offices)	(Zip code)

(212) 737-0177
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days.
Yes X No ___

The number of shares outstanding of the registrant's Common Stock as of December 31, 1991 was 16,496,833.

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This Form 10-Q is being filed by the registrant, together with the registrant's Form 10-Q for the quarter ended March 31, 1992. The information presented herein is as of December 31, 1991, and does not include events occurring after such date except as otherwise stated herein. The Form 10-Q for the quarter ended March 31, 1992, should be consulted for information concerning the registrant which occurred after December 31, 1991.

THE NEW WORLD POWER CORPORATION (the "Company")

Quarterly Report on Form 10-Q

For the Quarter Ended December 31, 1991

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Part I. Financial Information

Item 1. Financial Statements

THE NEW WORLD POWER CORPORATION
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands of dollars)

	December 31, 1991	September 30, 1991
Assets		
Current assets:		
Cash	$ 266	$ 292
Accounts and advances receivable	516	1,539
Current portion of notes receivable	2,922	4,537
Other current assets	62	96
Current assets	3,766	6,464
Investment in Northern Power Systems, Inc.	246	-
Notes receivable	5,551	8,444
Plant, property and equipment, net	5,794	5,815
Other non-current assets	90	193
Total assets	$15,447	$20,916
Liabilities and Stockholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	$ 4,649	$5,773
Current portion of long-term debt	4,354	4,493
Current portion of capital leases	4,251	6,267
Total current liabilities	13,254	16,533
Long-term debt	649	649
Capital lease obligations	4,247	8,366
Other liabilities	1,218	1,204
Total liabilities	19,368	26,752
Stockholders' deficiency:		
Common Stock	15	14
Preferred Stock	4	4
Additional paid-in-capital	4,913	4,669
Accumulated deficit	(8,853)	(10,523)
Total stockholders' deficiency	(3,921)	(5,836)
	$15,447	$20,916

See notes to consolidated financial statements.

THE NEW WORLD POWER CORPORATION

AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Three Months Ended December 31, 1991	Three Months Ended December 31, 1990
Operating revenue	$ 574	$ 567
Cost of operations	417	439
General and administrative expenses	452	430
Net operating loss	(295)	(302)
Interest expense, net	167	225
Other expense (income)	(2,028)	(143)
Net income (loss)	$ 1,566	$ (384)
Earnings per share:		
Primary:		
Net income (loss) per share	1.11	(0.28)
Weighted average number of shares(1)	1,409	1,375
Fully-diluted: (1)		
Net income (loss) per share	0.87	(0.28)
Weighted average number of shares(1)	1,801(2)	1,375

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(1) Adjusted to give effect to the one-for-ten reverse stock split voted by the Company's Board of Directors on June 15, 1992, subject to stockholders approval at an annual meeting of the Company's stockholders which is expected to be held in August 1992.

(2) All of the shares of the Company's Series A Preferred Stock are included in the determination of the fully-diluted weighted average number of shares. Under the treasury stock method, the outstanding options and warrants have no net effect on this calculation because the exercise price of such options and warrants is equal to the fair market value of the Company's Common Stock.

See notes to consolidated financial statements.

THE NEW WORLD POWER CORPORATION

AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Three Months Ended December 31,	
	1991	1990
Cash flows from operating activities:		
Net income (loss)	$1,566	$ (384)
Adjustment to reconcile net income (loss) to cash flow from operations:		
Depreciation and amortization	129	120
Decrease (increase) in working capital	38	(284)
Net benefit from settlement agreement	(1,654)	-
Gain on collections of notes receivable	(104)	(144)
Other, net	126	-
	101	(692)
Cash flows from investing activities:		
Capital expenditures, net	(92)	(7)
Collections of notes receivable	104	327
	12	320
Cash flows from financing activities:		
Repayments of indebtedness	(139)	(11)
Proceeds from capital stock offerings	-	527
	(139)	516
Net change in cash	(26)	144
Cash, beginning of period	292	132
Cash, end of period	$ 266	$ 276

See notes to consolidated financial statements.

THE NEW WORLD POWER CORPORATION

AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The financial statements included herein are unaudited. They have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and note disclosures required by generally accepted accounting principles. The information included herein reflects all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods reported.

2. The results of operations for the three-month period ended December 31, 1991 and 1990, are not necessarily indicative of the results to be expected for the full year.

3. Net income (loss) per share is based on the weighted average number of shares of Common Stock outstanding. Common Stock equivalents, including options and warrants to purchase the Company's Common Stock and Preferred Stock convertible into the Company's Common Stock, have been excluded in the determination of net income (loss) per share in periods in which the Company realized net losses as inclusion of such would be antidilutive.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Company's principal lines of business involve the production and sale of electrical power from renewable power sources including wind and water. The Company's majority-owned subsidiary, Arcadian Renewable Power Corporation, produces electricity from approximately 1,399 wind turbines, which the Company owns, leases, or manages for third party owners and sells such electricity to Pacific Gas & Electric Company under a long-term, fixed-price per kilowatt hour ("kwh") contract (the "Windpower Business"). The Company's majority-owned subsidiary, Wolverine Power Corporation, produces electricity from four contiguous hydroelectric facilities on the Titawabassee River near Edenville, Michigan and sells such electricity to Consumers Power Company under a long-term contract which expires in May 2022 (the "Hydroelectric Business").

In December 1987, the Company acquired its Windpower Business pursuant to an asset purchase agreement with Fayette Manufacturing Corporation. Since such acquisition, the Company's activities with respect to its Windpower Business have principally involved restructuring the acquired operations, restructuring assumed-debt and lease liabilities, and prosecuting litigation relating to matters arising both before and after the acquisition.

Results of Operations

Consolidated revenue for the quarter ended December 31, 1991, increased by 1%, or $7,000, from $567,000 to $574,000, compared with the corresponding fiscal 1990 period. The increase consisted of an $80,000 increase pertaining to the Windpower Business which was offset by a $73,000 decline in revenues pertaining to the Hydroelectric Business. The increase in revenues attributable to the Windpower Business principally resulted from a higher number of operating wind turbines. The decrease in revenues attributable to the Hydroelectric Business principally resulted from a lower volume of water flow throughout the Company's hydroelectric facilities.

The Company's consolidated operating loss for the quarter ended December 31, 1991, decreased by 2%, or $7,000, from $302,000 to $295,000 compared with the corresponding fiscal 1991 period. The net decrease in the operating loss consisted of a $134,000 decrease in the loss pertaining to the Windpower Business, which was offset by a decrease in the operating income pertaining to the Hydroelectric Business. The decrease in operating loss attributable to the Windpower Business resulted principally from the previously described increase in revenues along with a decrease in repair and maintenance costs. The decrease in such costs resulted from wind turbine repair and maintenance work being serviced by the Company employees in the first quarter of 1992 as opposed to outside contractors who performed most of this work in the previous fiscal year. The decrease in the operating income attributable to the Hydroelectric Business principally resulted from the lower level of water flow through the Company's hydroelectric dams.

Other income for the quarter ended December 31, 1991, substantially reflects the gain on settlement of litigation pursuant to which the Company canceled certain notes receivable and lease obligations resulting in a net benefit of approximately $1,654,000.

Financial Condition and Liquidity

Cash flow provided by operating activities was approximately $101,000 for the quarter ending December 31, 1991, compared with cash flow used by operations of $692,000 for the same period in fiscal 1991. The increase in cash flow provided by operating activities principally resulted from decreased general and administrative expenses.

Cash flow from investing activities principally related to collections of amounts due under promissory notes executed by wind turbine owners. Collections on promissory notes of the Windpower Business decreased by $223,000 for the quarter ended December 31, 1991, compared with the fiscal 1991 period. Such decrease resulted from the declining credit quality of the outstanding promissory notes.

In July 1991, the Company agreed to acquire 67% of the shares of common stock of Northern Power Systems, Inc. ("Northern Power"). Northern Power designs, manufactures, assembles and installs sophisticated, stand-alone, primarily renewable-resource-driven electric power facilities. The consummation of this 67% acquisition was subject to the fulfillment of certain preconditions; as such, 67% of Northern Power's stock was placed in escrow. On December 19, 1991, the Company issued 815,923 shares of its Common Stock to the shareholders of Northern Power in exchange for 713,586 shares of common stock of Northern Power. This transaction constituted a 42% investment by the Company in Northern Power. All preconditions related to this portion of the acquisition were met on December 24, 1991; consequently, the Company has accounted for its 42% investment in Northern Power under the equity method of accounting at December 31, 1991. The Company has not recorded any interest in the remaining 25% of Northern Power which it seeks to acquire because additional preconditions must be fulfilled before such acquisition is legally consummated.

In the previous fiscal year, cash flow from financing activities included proceeds from the sale of the Company's convertible preferred stock in October 1990 totaling $527,000. The Company made principal payments on account of indebtedness of the $139,000 during the three-month period ended December 31, 1991 compared to $11,000 in the previous year's corresponding period.

The Company funded its consolidated operating cash flow deficiencies and fixed charge obligations with capital contributions, collections of notes receivable of the Windpower Business and extensions of regularly scheduled payments of principal and interest on account of the Company's outstanding indebtedness.

At December 31, 1991, the Company had consolidated indebtedness of approximately $5,003,000. Of such amount, $1,393,000 was in default and subject to acceleration by creditors.

Management of the Company expects that through the implementation of its business plan it will meet its obligations which have already fallen due and other obligations as they fall due with cash generated from operations and funds provided by external financing. In addition, the Company is negotiating restructuring of the terms of certain of its indebtedness, including the extension of maturities. There can be no assurance of the success of the Company's business plan, nor of the availability or the outcome of such debt restructuring negotiations.

The Company currently receives approximately $.034 per kwh for wind-generated electrical power. The rate the Company received for hydroelectric power is approximately $.03 per kwh.

In addition to increases in future operating revenue, the Company believes that it can substantially improve its results of operations, including income and cash flow generated by its operating activities, through reductions in operating costs and expenses, particularly with respect to legal and other professional fees, and other general and administrative costs.

The Company's business plan also provides for improvements in its results of operation and financial position through selected acquisitions such as the partial acquisition of Northern Power discussed above. However, there can be no assurance that the Company will realize the forecast improvements in its results of operations and financial position from such acquisitions, nor generate funds attributable to such entities available to service the Company's fixed charges and other cash requirements.

The Company's business plan also provides for raising additional equity capital. The Company must be able to raise significant additional external financing if the Company is to be able to meet its present operating and debt service cash requirements.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

PG&E Settlement

The Company is a member of the plaintiff class in a suit against Pacific Gas & Electric Company, a California public utility ("PG&E") based on PG&E's refusal to offer higher rate SO4 contracts to Arcadian Renewable Power Corporation in the early 1980s under a power purchase agreement. In January 1992, Arcadian and other members of the class entered into a settlement agreement with PG&E, which is subject to approval by the California Public Utility Commission ("CPUC"). Counsel for the Company believes that the Company will be entitled to at least $1.25 million if the settlement is approved by the CPUC. The Company does not expect to receive these proceeds until fiscal 1993.

Wind Energy Partnerships

In May 1990, several wind energy partnerships filed a complaint against Arcadian Renewable Power Corporation, Wolverine Power Corporation and certain members of management relating to a dispute with Fayette Manufacturing Corporation ("FMC") which arose prior to the Company's acquisition of the Altamont wind farm from FMC. The Company denied liability but entered into a settlement in December 1991 on the following terms: (i) the outstanding notes of Arcadian to the plaintiffs were canceled; (ii) Arcadian acquired all of the rights and liabilities associated with the wind turbines leased to the plaintiffs; (iii) the plaintiffs were assigned approximately $42,000 in funds held in escrow in unrelated litigation; and (iv) Arcadian has agreed to issue to the plaintiffs' partners warrants to acquire up to 800,000 shares of Arcadian's common stock at $.09 per share.

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits. None.

b. Reports on Form 8-K. No reports on Form 8-K were filed during the period covered by this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE NEW WORLD POWER CORPORATION

Date: July 10 , 1992

By John D. Kuhns

John D. Kuhns
Chairman of the Board
(principal executive officer
and principal financial
officer)

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED SEPTEMBER 30, 1991

COMMISSION FILE NUMBER 0-3132

PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)
Exact name of Registrant as specified in its charter

CALIFORNIA	94-1612110
(State or other jurisdiction of incorporation or organization)	(Internal Revenue Service Employer Identification Number)

POST OFFICE BOX 5615
FRESNO, CALIFORNIA 93755-5615
Address of principal executive offices

(209) 434-2800
Registrant's telephone number

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No___

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

COMMON STOCK, $.10 PAR VALUE	5,303,850
	Number of shares of common stock outstanding September 30, 1991

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PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)

PART I: Financial Information

ITEM 1 - Financial statements

ITEM 2 - Management's discussion and analysis of financial condition and results of operations

PART II: Other Information

ITEM 1 - Submission of matters to a vote of security holders

PART I

ITEM 1 - Financial statements

PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)

BALANCE SHEET

(UNAUDITED)

	September 30,	
	1991	1990
ASSETS		
CURRENT ASSETS:		
Certificate of Deposit	$ 70,000	$ 0
Accounts receivable	3,250	0
Inventory	5,250	9,108
Prepaid expenses	0	31,439
Notes receivable	254,000	315,500
Notes receivable - Common Stock Subscribed	450,000	0
Deposit	25,000	0
TOTAL CURRENT ASSETS	807,500	356,047
PROPERTY AND EQUIPMENT - AT COST:		
Land - unimproved	0	65,000
Land - improved	278,700	278,700
Building	601,326	638,504
Improvements	54,757	27,274
Property and equipment (successful efforts methods of accounting)	153,143	120,721
	1,087,926	1,130,199
Less: Accumulated depreciation	(70,211)	(74,181)
TOTAL PROPERTY AND EQUIPMENT	1,017,715	1,056,018
INVESTMENT - AT COST	538,530	52,639
	$2,363,745	$1,464,704

PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)

BALANCE SHEET

(UNAUDITED)

(CONTINUED)

	September 30, 1991	September 30, 1990
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 207,492	$ 9,246
Royalties Payable	17,236	0
Income Taxes Payable	8,111	0
Notes payable	69,500	175,000
Current portion of long-term debt	60,500	145,760
Lease deposits	2,838	2,838
Promissory note	0	200,000
TOTAL CURRENT LIABILITIES	365,677	532,844
LOANS FROM STOCKHOLDERS	79,933	59,177
LONG-TERM DEBT, NET OF CURRENT PORTION	750,088	446,838
TOTAL LIABILITIES	1,195,698	1,038,859
STOCKHOLDERS' EQUITY:		
Common stock, $.10 par value; authorized 100,000,000 shares; issued and outstanding: 5,303,850 shares September 30, 1991; 2,000,000 shares pending transer from transfer agent; 4,909,922 shares September 30, 1990	730,385	490,992
Common stock subscribed	450,000	0
Additional paid-in capital	1,947,374	1,452,926
Accumulated deficit	(1,959,712)	(1,518,073)
TOTAL STOCKHOLDERS' EQUITY	1,168,047	425,845
	$2,363,745	$1,464,704

PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)

STATEMENT OF REVENUE AND EXPENSES AND ACCUMULATED DEFICIT

(UNAUDITED)

	Three Months Ended September 30, 1991	Three Months Ended September 30, 1990
REVENUE:		
Sales of crude oil and gas	$ 11,908	$ 22,199
Royalty income	548	3,685
Oil lease income	2,058	0
Rent - building	2,298	7,479
	16,812	33,363
COSTS AND EXPENSES:		
Cost of operations	3,214	4,532
Depreciation and depletion	9,154	10,070
Shared overhead charge	0	14,000
General and administrative expenses	48,919	54,415
Building expense	11,150	4,900
	72,437	87,917
Net loss	(55,625)	(54,554)
Accumulated deficit, beginning of period	(1,904,087)	(1,463,519)
Accumulated deficit, end of first quarter	$(1,959,712)	$(1,518,073)
PER SHARE DATA		
Net loss per share	$ (.00)	$ (.01)

See Notes to Financial Statements

PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)

NOTES TO FINANCIAL STATEMENTS

QUARTER ENDED SEPTEMBER 30, 1991

(UNAUDITED)

NOTE A - GENERAL

The unaudited financial statements of Pan American Energy Corporation for the quarter ended September 30, 1991 reflect all adjustments, which are of a normal recurring nature, which are, in the opinion of management, necessary for a fair statement of the results of operations for the period then ended.

NOTE B - NET ASSET ACQUISITION

The Corporation acquired, effective June 29, 1990, specified assets and liabilities of Supreme Investors, Inc. Supreme Investors, Inc. is an affiliate corporation with interrelated directors. The total cost of the acquisition was $400,000 which exceeded the net assets of Supreme Investors, Inc. by $45,700. The excess was allocated to building and land-improved, based on appraisal values and will be depreciated over the estimated remaining useful lives of the assets.

The purchased price for the specified assets and liabilities was four million (4,000,000) shares of Supreme Oil and Gas Corporation (name changed to Pan American Energy Corporation) common stock, valued for the transaction at $.10 per share. The purchase price involved two million (2,000,000) shares of Supreme Oil and Gas Corporation stock issued to Supreme Investors, Inc. upon close of escrow (September 13, 1990), and a $200,000 promissory note, due on or before August 31, 1991, convertible to two million (2,000,000) shares by the holder of the note. The effective date of the stock and promissory note was also June 29, 1990. The specified assets and related liabilities purchased included a commercial building with land, vacant land, half interest in an oil well, securities in other corporations and notes receivables.

PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)

PART I

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources:

The Corporation experienced lower oil revenues during the quarter ending September 30, 1991, due to lower world oil prices. The Kliewer oil well 82-29 acquired in June 1990 was put into service on September 21, 1990. The production operations of Kliewer 82-29 oil well have been idle since March, 1991 pending expansion of the pooled acreage and the completion of a well for disposal of producted water.

The Corporation had decreased expenses during this quarter because the Corporation closed its office in San Jose, California in June, 1991. This included the termination of one employee and reduced expenses such as rent, utilities and general office expense. The Corporation also closed its office in Fresno, California in July, 1991 and moved into the residence of the Corporation's President. The closing of the office included the termination of a manager and six employees plus the reduction of expenses such as rent, utilities and general office expenses.

Management plans on expending funds for the reduction of corporate debt, the purchase of oil properties and capital improvements in areas such as the development of a water disposal well for the Kliewer oil well. Capital will be obtained from notes receivable, short-term borrowing and the anticipated sale of corporate securities through Section 3a-11 of the Securities Act of 1933.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Results of Operations:

The Corporation purchased an office building in Bakersfield, California in June, 1990. The building occupancy for this quarter ending September 30, 1991 was approximately 30%. The Corporation continued to make improvements to the building structure and the landscaping and painted the entire outside of the structure. The rental income decreased from the same quarter last year due to the agreements with individuals to exchange services for rent. The Corporation is having discussion with its lenders on the office building to restructure the debt.

The gross revenue has decreased substantially compared to the same quarter last year due to the decrease in oil prices, the rental exchange agreements described above and the idleness of the Kliewer 82-29 oil well as illustrated below:

	Quarter Ended September 30, 1991	
	1991	1990
Sales of crude oil	$ 11,908	$ 22,199
Royalty income	548	3,685
Oil lease income	2,058	0
Rental income	2,298	7,479
Total revenue	$ 16,812	$ 33,363

(1) The recovery of oil and gas declines at the rate of approximately three percent (3%) per year, due to the depletion of the oil and gas-bearing rock information.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Results of Operations (Continued):

The following table sets forth pertinent information relating to the Corporation:

	Revenue and Operation Expense Quarter Ended September 30, 1991	
	1991	1990
Revenue	$ 16,812	$ 33,363
Less:		
Costs of operations	3,214	4,532
General and administrative expenses	48,919	54,415
Depreciation/depletion	9,154	10,070
Shared overhead	0	14,000
Building expense	11,150	4,900
Income/loss	$ (55,625)	$ (54,554)

The decreased costs of operations such as rework costs, vacuum truck fees and pumper fees are due mainly to the cessation of production operations of the Kliewer 82-29 oil well. Building expenses such as janitorial and utilities increased due to the rental exchange agreements.

PART II

ITEM 1 - Submission of matters to a vote of security holders

No matters were submitted to a vote of the security holders during the quarter ending September 30, 1991.

PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: 3/30/92

Wayne Crumpley, Pres. & CEO & CFO
Wayne E. Crumpley, Pres.
Chief Financial Officer & CEO

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Securities and Exchange Commission
Washington, D.C. 20549

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FORM 10-Q

QUARTERLY REPORT UNDER SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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For the Quarter Ended March 31, 1992
Commission File No. 0-18048

SA Holdings, Inc.
(formerly Strategic Abstract & Title Corporation)
(Exact Name of Registrant as Specified in its Charter)

State of Incorporation: **Delaware**

IRS Employer Identification Number: 75-2258519

1912 Avenue K, Suite 100, Plano, Texas 75074
(Address of Principal Executive Offices)

Registrant's Telephone Number: (214) 516-0662.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 113 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes: X No:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.

Class: **Common Stock, $.0001 par value**

Shares Outstanding at May 8, 1992: 3,826,633

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SA Holdings, Inc. and Subsidiaries
(formerly Strategic Abstract & Title Corporation)

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Part I. Financial Information

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SA Holdings, Inc. and Subsidiaries
(formerly Strategic Abstract & Title Corporation)
CONSOLIDATED BALANCE SHEETS
March 31, 1992

ASSETS

	March 31, 1992 (Unaudited)	December 31, 1991
CURRENT ASSETS		
Cash	$ 82,595	$ 10,431
Trade credits (Note B)	97,500	97,500
Accounts and notes receivable		
Notes (Note C)	47,200	24,393
Trade receivables	10,770	-
Employee and other	6,653	7,037
Interest	276	-
Inventory	19,440	19,440
Prepaid expenses	141,732	12,075
Total current assets	406,166	170,876
PROPERTY AND EQUIPMENT (Note D)	3,497,011	2,976,010
Less accumulated depreciation	(33,275)	(30,132)
Net property & equipment	3,463,736	2,945,878
OTHER ASSETS		
Trade credits (Note B)	392,500	292,500
Investments in leases	2,250,000	2,250,000
Organization costs net of accumulated amortization	82,069	86,843
Other	5,068	5,068
Total other assets	2,729,637	2,634,411
TOTAL ASSETS	$6,599,539	$5,751,165
	=========	=========

The accompanying notes are an integral part of these consolidated financial statements

SA Holdings, Inc. and Subsidiaries
(formerly Strategic Abstract & Title Corporation)
CONSOLIDATED BALANCE SHEETS
March 31, 1992

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 1992 (Unaudited)	December 31, 1991
CURRENT LIABILITIES		
Amounts held in escrow for customers	$ 7,000	$ 6,825
Notes payable (Note E)	233,898	147,477
Current maturities of long-term debt (Note F)	15,475	28,475
Accounts payable - trade	74,490	62,566
Accrued payroll expenses	23,231	49,267
Accrued interest payable	14,662	13,410
Other accrued expenses	8	13
Deferred income	1,277	1,277
Total current liabilities	370,041	307,310
LONG-TERM DEBT		
Due to officer	70,000	70,000
COMMITMENTS AND CONTINGENCIES (Note I)		
SHAREHOLDERS' EQUITY		
Common Stock, $.0001 par value, 50,000,000 shares authorized; 3,626,633 and 2,683,820 shares issued and outstanding, respectively	308	214
Additional paid-in capital	6,990,702	5,894,123
Retained earnings (deficit)	(831,512)	(520,482)
Total shareholders' equity	6,159,498	5,373,855
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$6,599,539	$5,751,165

The accompanying notes are an integral part of these consolidated financial statements

SA Holdings, Inc. and Subsidiaries
(formerly Strategic Abstract & Title Corporation)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,	
	1992	1991
REVENUES		
Escrow fees and insurance commissions	$ 32,835	$ 3,068
Telecommunications	39,019	-
Total revenues	71,854	3,068
EXPENSES		
Cost of revenues	48,357	245
General and administrative	320,255	56,583
Interest expense, net	5,603	4,456
Depreciation and amortization	8,669	3,888
Total expenses	382,884	65,172
Loss from operations	(311,030)	(62,104)
DISCONTINUED OPERATIONS (net of applicable income tax of -0- (Note L))		
Interest earned on financing of sale	-	4,887
Income from discontinued operations	-	4,887
NET LOSS	$(311,030)	$(57,217)
Loss per weighted average common shares outstanding:		
From operations	$ (.11)	$ (.06)
From discontinued operations	-	.01
Total	$ (.11)	$ (.05)
Weighted average number of shares outstanding	2,848,372	1,120,593

The accompanying notes are an integral part of these consolidated financial statements

SA Holdings, Inc. and Subsidiaries
(formerly Strategic Abstract & Title Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

	Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balances, December 31, 1990	1,020,000	$ 102	$2,409,991	$ (192,808)	$2,227,285
Exchange of common stock for notes and accounts payable	133,138	13	532,537	-	532,550
Net loss for the period	-	-	-	(57,217)	(57,217)
Balances at March 31, 1991	1,153,138	$ 115	$2,542,528	$ (240,025)	$2,702,618
Balance at December 31, 1991	2,683,820	214	5,894,123	(520,482)	5,373,855
Adjustment due to reverse split	7	-	-	-	-
Sale of common stock	39,571	4	58,896	-	68,900
Issuance of Common Stock for					
Payment of fees and commissions	115,935	12	104	-	116
Acquisition of trade credits	10,000	1	99,999	-	100,000
Exercise of stock options	281,300	28	442,629	-	442,657
Purchase of software	485,000	49	484,951	-	485,000
Shares held in escrow for:					
Collateral on notes payable	12,000	-	-	-	-
Net loss for the period	-	-	-	(311,030)	(311,030)
Balances at March 31, 1992	3,626,633	$ 308	$6,990,702	$ (831,512)	$ 6,159,498

The accompanying notes are an integral part of these consolidated financial statements

SA Holdings, Inc. and Subsidiaries
(formerly Strategic Abstract & Title Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the three month periods ended March 31, 1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(311,030)	(57,217)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation and amortization	8,669	3,888
Stock issued for fees and commissions	116	-
(Increase) decrease in:		
Accounts Receivable	(10,770)	-
Accrued interest receivable	(276)	125
Prepaid expenses	(129,657)	-
Other Assets	-	498
Increase (decrease) in:		
Accounts payable and accrued expenses	(10,690)	18,133
Net cash used by operating activities	(453,638)	(34,573)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received on sale of subsidiary and related financing	-	14,738
Net activity on employee and other advances	(22,423)	-
Purchase of property and equipment	(36,753)	(17,917)
Net cash provided by (used in) investing activities	(59,176)	(3,179)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from short-term loans	$ 86,421	$ 82,053
Proceeds from (payments on) note payable to a bank	-	(42,003)
Principal payments on long-term debt	(13,000)	(490)
Net change in borrowings from affiliates	-	2,966
Proceeds from exervise of stock option	442,657	-
Proceeds from private placement of common stock	68,900	-
Net change in bank overdraft	-	(83)
Net cash provided by financing activities	584,978	42,443
INCREASE (DECREASE) IN CASH	72,164	4,691
Cash at beginning of period	10,431	52
Cash at end of period	$ 82,595	$ 4,743

The accompanying notes are an integral part of these consolidated financial statements

SA Holdings, Inc. and Subsidiaries
(formerly Strategic Abstract & Title Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS - continued
(Unaudited)

	For the three month Periods ended March 31,	
	1992	1991
SUPPLEMENTAL DISCLOSURES OF INTEREST		
Cash paid during the period for interest	$ 5,507	$ 1,869
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Issuance of common stock for:		
Acquisition of trade credits	$ 100,000	$ -
Retirement of accounts and notes payable	$ 116	$ -
Accrued acquisition of title plant additions paid for with common stock	$ 485,000	$532.550

The accompanying notes are an integral part of these consolidated financial statements

SA Holdings, Inc. and Subsidiaries
(formerly Strategic Abstract & Title Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements are prepared pursuant to the requirements for reporting on Form 10Q. The December 31, 1991 balance sheet data was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles. The interim financial statements and notes thereto should be read in conjunction with the financial statements and notes included in the Company's latest annual report on Form 10-K. In the opinion of management, the interim financial statements reflect all adjustments of a normal recurring nature necessary for a fair statement of the results for interim periods. The current period results of operations are not necessarily indicative of results which ultimately will be reported for the full fiscal year ending December 31, 1992.

NOTE B - TRADE CREDITS

In October 1991 and February, 1992, the Company exchanged 200,000 and 10,000 shares, respectively, of its unregistered, restricted common stock for $1,000,000 and $100,000, respectively, in trade credits from American Marketing Complex International, Inc. (AMC). The terms of the agreement allow the Company to use these credits to purchase various goods and services, as available, using a combination of cash and trade credits. The mix of cash and trade credits is to be determined on a transaction-by-transaction basis between the Company and AMC. Additionally, the Agreement states that the Company "...agrees to accept AMC's best efforts to obtain merchandise or services." and "...AMC makes no representation as to the obtainability of any merchandise or services." The trade credits are transferable to other parties and the Company anticipates using these credits in conjunction with the acquisition of other companies and/or businesses. All unused trade credits expire in January 1997.

NOTE C - NOTES RECEIVABLE

	March 31, 1992	December 31, 1991
$10,000 note receivable from an individual monthly and principal due May 1992. Unsecured.	-	$ 7,193
$7,800 note receivable from an individual bearing interest at 12%, interest and principal payable on demand. Unsecured	$ 7,800	7,800
$30,000 note receivable from an individual bearing interest at 12%, interest and principal due September 1992. Unsecured.	30,000	-
$9,400 note receivable from a corporation bearing interest at 12%, interest and principal due in June 1992. Unsecured.	9,400	9,400
	$47,200	$ 24,393

SA Holdings, Inc. and Subsidiaries
(formerly Strategic Abstract & Title Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE D - PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	March 31, 1992	December 31, 1991	Life
Title Plant	$2,900,178	$2,900,178	Nondepreciable
Furniture and fixtures	23,424	21,893	5 Years
Equipment	77,119	53,939	5 Years
Software	485,000	-	5 Years
Leasehold improvements	11,290	-	5 Years
	3,497,011	2,976,010	
Accumulated depreciation	(33,275)	(30,132)	
	$3,463,736	$2,945,878	

NOTE E - NOTES PAYABLE

	March 31, 1992	December 31, 1991
Term notes payable to corporations; payable in full plus accrued interest at 12% in October, 1992. Unsecured.	$ 79,929	$ 79,929
Six term notes payable to individuals; payable in full plus accrued interest at 12% at specified maturities between March 1992 and June, 1992. Secured by 20,000 shares of unregistered, restricted Company common stock held in escrow.	45,000	50,000
Installment note payable to an individual; interest at 18%; payable in monthly installments of $3,000, including interest; final payment due June, 1992. Unsecured.	8,969	17,548
Term notes payable to a corporation; payable in full plus accrued interest at 12% at specified maturities between July 1992 and August 1992 secured by contracts and accounts receivable.	100,000	-
	$233,898	$147,477

SA Holdings, Inc. and Subsidiaries
(formerly Strategic Abstract & Title Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F - LONG-TERM DEBT

	March 31, 1992	December 31, 1991
Capital lease payable in monthly installments of $713, including interest at 19.5%, through March 1993. Collateralized by computer equipment. In default (due to disputes raised by the Company) and maturity accelerated by lessor as of December 31, 1991.	$ 15,475	$ 15,475
Term notes payable to a professional association payable in full plus accrued interest at 12% in August and September 1992. Unsecured.	-	13,000
	15,475	28,475
Less current maturities	15,475	28,475
Long-term portion	$ -	$ -

NOTE G - STOCK OPTIONS

In February 1992, the Board of Directors authorized the filing of a Form S-8 registration statement with the Securities and Exchange Commission to register 1,500,000 shares of the Company's common stock to be issued pursuant to options which may be granted under an Employee Benefit Plan, as defined in Rule 405 of Regulation C of the Securities Act of 1933. Subsequent to the February 21, 1992 effective date of this registration statement, approximately $442,657 was received pursuant to the exercising of options, for 281,300 shares of common stock, as granted under the Plan.

NOTE H - EMPLOYMENT CONTRACTS

Concurrent with the acquisition of North American Telecommunications Corporation (NATCO) and IBB, Inc. (IBB) by the Company; NATCO and IBB, respectively, entered into employment contracts with their key personnel.

NATCO agreed to employ one individual for a period of at least five years at a salary of not less than $36,000 per year and establishes a bonus schedule ranging from 0% to 7% of audited profits on an annual basis. Additionally, this contract sets forth an additional bonus arrangement allowing the employee to earn up to 525,000 shares of unregistered, restricted common stock of the Company upon NATCO earning cumulative profits of $4,500,000 by December 31, 1996. These shares have been issued by the Company and are held in escrow for this purpose. The employee earns, and the Company will release, any shares earned on an annual basis, subject to a pro-rata calculation, as set forth in the contract.

NOTE H - EMPLOYMENT CONTRACTS - Continued

IBB agreed to employ one individual for a period of at least five years at a minimum annual salary equal to 10% of the audited after-tax profit of IBB, on an annual basis.

NOTE I - COMMITMENTS AND CONTINGENCIES

The Company has been notified by its legal counsel that certain unasserted claims may exist related to a bankruptcy filing by its former majority shareholder, Strategic Industries, Inc. (a Texas corporation) and the transactions discussed in notes L and O related to the exchange of Company common stock for certain office furniture and equipment for 100% of the outstanding common stock of Best Cure, Inc. Counsel is unable to predict the outcome of any claim, if asserted, related to the acquisition and subsequent sale of Best Cure, Inc. Counsel has determined that the outcome of any claim, if asserted, related to the acquisition of office furniture and equipment may be unfavorable. Management does not believe that any unasserted claims have merit and no amounts have been reflected in the financial statements related to these unasserted claims at December 31, 1991.

In January 1992, the Company entered into an agreement with an unrelated third party which will provide services for general corporate consulting matters related to regulatory and shareholder matters. This agreement requires aggregate payments of approximately $18,000 during 1992 and the agreement is renewable at negotiable rates for subsequent years. During the first quarter of 1992, the Company prepaid all of 1992 and a negotiated 1993 commitment under this agreement.

In January 1992, the Company entered into an agreement with an unrelated third party which will provide services related to the procurement of growth capital. This agreement requires payments of approximately $6,000 per month plus fees based upon the occurrence of certain specified events as stated in the agreement. The Company paid approximately $25,750 under this agreement during the first quarter of 1992 and anticipates no further obligations in excess of the paid amount. Management is attempting to receive a negotiated settlement due to non performance under this contract.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Three months ended March 31, 1992, versus Three months ended March 31, 1991

The Company had revenues of $71,554 for the three month period ended March 31, 1992 and $2,923 for the prior like period, and incurred a net loss of $311,030 for the three month period ended March 31, 1992 compared to a net loss of $57,217 for the three month period ended March 31, 1991. The $311,030 loss is substantially larger by comparison due to the set up and launch of our new telecommunications subsidiary and their new products and services. They accounted for approximately $160,000 of this loss. Their expenses, although to a large part ongoing, were not offset by the corresponding revenues during this ramp-up period. In addition, there were approximately $25,000 of annual fees paid by the Company during this quarter that were not amortized over twelve months. The Company's operational loss for the three month period ended March 31, 1991 was reduced by interest of $4,887 received on a note with the sale of a subsidiary, Best Cure, Inc.

For the three month period ended March 31, 1992, total shareholders' equity equaled $6,159,498 compared to total shareholders' equity of $2,702,619 for the three months ended March 31, 1991. There are no recently issued accounting statements which will have significant impact on the Company when adopted.

Liquidity and Capital Resources

The Company's informational database subsidiary commenced full-scale operations in its Midland title plant starting July 1, 1991. The Company anticipates that its revenues from full-scale operations will permit the plant to possess necessary liquidity and to generate a consistent profit within six months. However, there is no assurance that the Company's operations will generate a profit or that additional financing will not be required or available if required.

The Company's telecommunications subsidiary, North American Telecommunications began its full scale operations in January, 1992 to put into service its O+ Operator service for the Hospitality properties industries in the United States as well as its Long Distance Intercontinental Telecommunications Services in Europe and Latin America. This has had the effect of front loading the first two quarters of 1992 expenses without their otherwise gradual build-up, however, Management feels the timing was critical and warranted the quick ramp-up. We believe the division will be profitable early in the third quarter.

The Company has purchased a large amount of coalbed methane gas properties and is currently negotiating with two possible JV partners. No agreements have been made as of this date. Our costs to carry these properties are minimal.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

On October 4, 1991, and in February 1992, the Company entered into an agreement to purchase $1,000,000 and $100,000, respectively, of cash equivalent credits from American Marketing Complex, Inc., of New York, for 200,000 and 10,000 shares, respectively, of Restricted Common Stock. This arms-length transaction was between Gerald McMillan, American Marketing Complex, Inc., and the Company, whereas the Company purchased the credits from American Marketing for Restricted Common Stock, and McMillan purchased the Restricted Common Stock from American Marketing. The credits will be used to replace cash needs to purchase assets the Company has use for in the future. The Company will also use the credits to help in acquisition of other businesses the Company will be purchasing. However, no specific companies have been targeted as of yet.

In February 1992, the Board of Directors authorized the filing of a Form S-8 registration statement with the Securities and Exchange Commission to register 1,500,000 shares of the Company's common stock to be issued pursuant to options which may be granted under an Employee Benefit Plan, as defined in Rule 405 of Regulation C of the Securities Act of 1933. Subsequent to the February 21, 1992 effective date of this registration statement, approximately $400,132 was received pursuant to the exercising of options for 258,800 shares of common stock, as granted under the Plan.

Three months ended March 31, 1992, versus three months ended March 31, 1990

The Company reduced current liabilities by $532,550 through the issuance of 1,331,375 shares of its common stock on January 23, 1991. During the three months ended March 31, 1992, the Company received $100,000 in short-term loans and $442,659 from exercise of stock options (see Note K of the Company's Financial Statements attached hereto) of which $13,579 was used to repay notes to individuals, $13,000 was used to pay long-term debt and $42,500 to prepay contracts. The balance is being utilized to augment working capital.

Capital Expenditure

The Company, after establishing its own full-scale operations during 1992, intends to attempt to acquire other title abstract and title insurance companies, as well as additional companies which may enhance the Company's database and diversify its operations. There is, however, no assurance that the Company will be able to acquire such other firms or that any such acquisition will be structured on terms entirely favorable to the Company. Such ambitions, if consummated, will more than likely be made with a combination of cash and Company Common Stock, though no prediction of the amount of cash or the number of shares of Common Stock to be involved can be made.

Part II - Other Information

Item 1. Legal Proceedings

The Company is not engaged in any legal proceedings.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security holders.

On February 7, 1992, the shareholders of the Corporation adopted and approved the following actions by the written consent of not less than the holders of the outstanding capital stock having not less than the minimum number of votes necessary to authorize or take such action pursuant to the provisions of Title 8, Subchapter VIII, Section 228 of the General Corporation Law of the State of Delaware:

(i) that the name of the Corporation be changed to "SA Holdings, Inc."; and

(ii) that the Corporation effect a one for ten reverse split of the Corporation's common stock, and that after such reverse split, the number of shares of common stock authorized shall remain at 50,000,000 and the par value for the common stock shall remain at $.0001 per share. The effective date of the reverse split was February 18, 1992.

The number of shares outstanding on February 7, 1992 was 26,416,514 and shareholders representing 14,833,775 shares executed statements of written consent. The shareholders who did not sign a written consent to such action were notified pursuant to the provisions of Title 8, Subchapter VIII, Section 228 of the General Corporation Law of the State of Delaware.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

None.

Pursuant to the requirements of the Securities Exchange Act of 1934, Registrant has duly caused this report to be signed by the undersigned thereunto duly authorized.

Date:

SA Holdings, Inc.
(formerly Strategic Abstract & Title Corporation)

By: ______________________
Jack W. Matz, Jr.
President

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF OF 1934

For Quarter Ended October 31, 1991 Commission File No. 0-4186

SEQUENTIAL INFORMATION SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction of incorporation or organization)

13-1948169
(IRS Employer Identification No.)

160 Broadway, New York, NY 10038
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 212-587-9513

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes______ No X

Number of common shares outstanding as of May 6, 1992: 253,455,563

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SEQUENTIAL INFORMATION SYSTEMS, INC.

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Part I

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Sequential Information Systems, Inc. and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

	October 31, 1991	July 31, 1991
Assets		
Current Assets:		
Cash and Cash Equivalents	$ 351,651	$ 416,853
Receivables - Net of Allowances	354,571	408,000
Inventories - Net	2,168,677	2,220,528
Loans Receivable	449,153	351,613
Prepaid Expenses and Other Current Assets	49,418	46,675
Total Current Assets	3,373,470	3,443,669
Property, Plant and Equipment - Net	76,705	77,631
Other Assets:		
Deferred Charges and Other Assets	78,382	74,482
Accounts Receivable - Long Term	201,000	201,000
Notes Receivable	297,940	297,940
Investments - Common Stock	105,158	105,158
Total Other Assets	682,480	678,580
Total Assets	$4,132,655	$4,199,880

See Notes to Consolidated Financial Statements.

Sequential Information Systems, Inc. and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

	October 31, 1991	July 31, 1991
Liabilities		
Current Liabilities:		
Accounts Payable and Accrued Expenses	$ 855,717	$ 914,071
Notes Payable	670,541	661,276
Accrued Payroll Taxes and Related Expenses	228,773	220,223
Accrued Interest	212,074	232,656
Capital Lease Obligations	18,745	22,442
Total Current Liabilities	1,985,850	2,050,668
Shareholders' Equity		
Preferred Stock	2,962	2,962
Common Stock	2,534,573	2,534,573
Additional Paid - In Capital	15,027,543	15,027,543
Retained Earnings (Deficit)	<15,418,273>	<15,415,866>
Total Shareholders' Equity	2,146,805	2,149,212
Total Liabilities and Shareholders' Equity	$4,132,655	$4,199,880

See Note to Consolidated Financial Statements.

Sequential Information Systems, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended October 31, 1991	Three Months Ended October 31, 1990
Revenues		
Fees and Services	$ 75,417	$ 30,823
Product Sales	872,763	1,017,582
Total Revenues	948,180	1,048,405
Direct Costs		
Direct Costs - Fees and Services	28,925	-
Direct Costs - Product Sales	588,677	714,655
Total Direct Costs	617,602	714,655
Gross Profit	330,578	333,750
Selling, General and Administrative Expenses	295,879	265,959
Profit (Loss) from Operations	34,699	67,791
Interest Expense	37,105	26,546
Profit (Loss) for Continuing Operations	< 2,406>	41,245
Discontinued Operations		
Profit from Operations of Disposed of Segment	-	88,613
Net Income (Loss)	$< 2,406>	$ 129,858
Income (Loss) per Common Share	$ -	$ -
Weighted Average Number of Common Shares	253,457,366	253,457,366

See Notes to Consolidated Financial Statements.

Sequential Information Systems, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended October 31,	
	1991	1990
Cash Flows from Operating Activities		
Net Income (Loss)	$< 2,406>	$ 129,858
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	926	22,020
Write-off of Customer Lists	-	16,500
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	53,429	< 10,560>
Decrease in Inventories	51,851	-
Decrease in Loan Receivable	2,460	-
(Increase) in Prepaid Expenses	< 2,743>	< 8,703>
Increase in Income Taxes Payable	-	1,000
(Decrease) Increase in Accounts Payable and Accrued Expenses	< 58,355>	10,463
Increase (Decrease) in Notes Payable	9,265	< 7,260>
Increase (Decrease) in Accrued Payroll Taxes and Related Expenses	8,550	< 24,354>
(Decrease) Increase in Accrued Interest	< 20,582>	16,748
Total Adjustments	44,801	15,854
Net Cash-Operating Activities	42,395	145,712
Cash Flows from Investing Activities		
Loans Made	< 100,000>	-
(Increase) in Deferred Charges and Other Assets	< 3,900>	< 723>
Company Acquired Net of Cash	-	< 50,904>
Net Cash-Investing Activities	< 103,900>	< 51,627>
Cash Flows form Financing Activities		
Payments under Capital Lease	< 3,697>	-
Net Increase (Decrease) in Cash	< 65,202>	94,085
Cash-Beginging of Period	416,853	11,991
Cash-End of Period	$ 351,651	$ 106,076

See Notes to Consolidated Financial Statements.

SEQUENTIAL INFORMATION SYSTEMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1. In the opinion of the Company, the accompanying unaudited financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the company as of October 31, 1991 and July 31, 1991 and the results of its operations for the three months ended October 31, 1991 and 1990 and changes in cash flows for the three months then ended.

The accounting policies followed by the Company are set forth in Note 1 to the Company's financial statements in the July 31, 1991 Sequential Information Systems, Inc. Annual Report which is incorporated by reference on Form 10-K.

2. The results of operations for the three months ended October 31, 1991 and 1990 are not necessarily indicative of the results to be expected for the full year.

3. Earnings per common share is computed by dividing the net income for the period by the weighted average number of common shares outstanding. Stock options and warrants have not been included in the computation of earnings per common share, as the result would be immaterial.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition

Cash flow decreased approximately $65,000 from $417,000 at August 1, 1991 to $352,000 at October 31, 1991. The decrease was attributable to an excess of cash used in investing and financing activities which exceeded cash flows provided by operating activities.

Results of Operations

Revenues decreased approximately $100,000 or 10% from the year earlier quarter. Again in consulting fees and services revenues of $45,000 or 145% was more than offset by a decrease in product sales of $145,000 of 14%.

Selling, general and administrative expenses increased approximately $30,000 or 11% from the year earlier quarter. Higher professional fees and personnel costs were the primary reasons for the increase.

Interest expense increased approximately $11,000 or 40% from the previous fiscal quarter as a result of an increase in debt from the prior period.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(b) REPORTS ON FORM 8-K - There were no reports on Form 8-K filed for the three months ended October 31, 1991.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SEQUENTIAL INFORMATION SYSTEMS, INC.
(Registrant)

LEWIS S. SCHILLER
(President, Chief Executive &
Chief Financial Officer)

3/6/92
(Date)

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter ended March 31, 1992.
Commission File No. 0-10852

SOUTHERN BANCSHARES (N.C.), INC.
(Exact name of registrant as specified in its charter)

DELAWARE	56-1538007
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
117 East Main Street, Mt. Olive, North Carolina	28365
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (919) 658-7000

167

NO CHANGES
(Former name, former address and former fiscal year, if changes since last report)

Indicate by check mark whether the Registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ___X___ No ______

Indicate the number of shares outstanding of the Registrant's common stock as of the close of the period covered by this report:

130,701 shares

21-01.

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SOUTHERN BANCSHARES (N.C.), INC.

CONSOLIDATED BALANCE SHEET

	March 31, 1992 (Unaudited)	December 31, 1991
ASSETS		
Cash and due from banks	$ 10,990,140	$ 11,434,212
Federal funds sold	-	1,600,000
Investment securities (Note 3)	105,959,655	109,413,641
Loans (Note 4)	135,206,499	129,141,832
Less: allowance for possible loan losses (Note 5)	3,168,322	3,053,428
Net loans	132,038,177	126,088,404
Premises and equipment:		
Land	1,518,905	1,518,905
Buildings and improvements	5,572,726	5,483,816
Furniture and equipment	3,160,031	3,129,980
	10,251,662	10,132,701
Less: accumulated depreciation and amortization	3,676,170	3,564,272
	6,575,492	6,568,429
Accrued interest receivable	2,868,513	2,563,426
Other assets	1,348,124	1,292,538
	$259,780,171	$258,960,650

The accompanying notes are an integral part of these financial statements.

SOUTHERN BANCSHARES (N.C.), INC.

CONSOLIDATED BALANCE SHEET

	March 31, 1992 (Unaudited)	December 31, 1991
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Demand	$ 29,293,467	$ 31,906,322
Savings and interest bearing demand	93,854,916	83,481,863
Time	105,867,341	119,627,839
Total deposits	229,015,724	235,016,024
Federal funds purchased	7,600,000	-
Short-term borrowed funds	1,379,941	2,362,699
Accrued interest payable	1,318,643	1,519,386
Other liabilities	657,386	597,996
Total liabilities	239,971,694	239,496,105
Mandatorily redeemable Series C preferred stock, no par value; 420,372 shares authorized, 122,666 and 103,310 shares issued and outstanding at March 31, 1992 and December 31, 1991, respectively (Note 6)	1,368,533	1,625,000
Shareholders' equity:-		
Series B non-cumulative preferred stock, 840,744 shares authorized, 414,866 shares issued and outstanding; no par value	2,020,938	2,020,938
Common stock, $5 par value; 158,485 shares authorized, 130,701 shares issued and outstanding	653,505	653,505
Surplus	6,000,000	6,000,000
Undivided profits:		
Unappropriated	9,455,601	8,935,102
Reserve for contingencies	240,000	230,000
Reserve for retirement of Series B stock	69,900	-
Total shareholders' equity	18,439,944	17,839,545
	$259,780,171	$258,960,650

The accompanying notes are an integral part of these financial statements.

SOUTHERN BANCSHARES (N.C.), INC.

CONSOLIDATED STATEMENT OF INCOME

	(Unaudited) Three Months Ended March 31, 1992	 1991
Interest income:-		
Interest and fees on loans	$3,181,104	$3,326,708
Investment securities:		
U. S. Treasury securities and obligations of U. S. Government agencies	1,285,702	1,277,370
Obligations of states and political subdivisions	550,030	609,122
Other securities	38,937	38,640
Federal funds sold	2,082	89,255
Total interest income	5,057,855	5,341,095
Interest expense:		
Savings and interest bearing demand deposits	906,172	927,318
Time deposits	1,419,211	2,227,941
Federal funds purchased	54,184	12,488
Capital notes	-	1,200
Other	16,702	26,237
Total interest expense	2,396,269	3,195,184
Net interest income	2,661,586	2,145,911
Provision for possible loan losses (Note 5)	150,000	150,000
Net interest income after provision for loan losses	2,511,586	1,995,911
Other operating income:		
Securities gains, net	43,940	22,283
Service charges on deposit accounts	441,176	375,486
Other service charges and fees	45,393	42,387
Other	63,116	62,870
Total other operating income	593,625	503,026

(Continued on next page)

SOUTHERN BANCSHARES (N.C.), INC.

CONSOLIDATED STATEMENT OF INCOME

	(Unaudited) Three Months Ended March 31, 1992	 1991
(Continued from preceding page)		
Other operating expenses:		
Personnel	1,074,992	1,002,548
Occupancy	132,554	123,424
Furniture and equipment	143,558	90,445
Other	861,164	786,755
Total other operating expenses	2,212,268	2,003,172
Income before income taxes	892,943	495,765
Income tax expense	181,900	82,657
Net income	$ 711,043	$ 413,108
Net income applicable to common shares (Note 2)	$ 633,074	$ 288,063
Earnings per common share	$4.84	$2.21

The accompanying notes are an integral
part of these financial statements.

SOUTHERN BANCSHARES (N.C.), INC.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE THREE-MONTHS ENDED MARCH 31, 1992 AND 1991

(Unaudited)

	Preferred Stock		Common Stock			Undivided Profits				Net unrealized loss on marketable equity securities
	Shares	Amount	Shares	Amount	Surplus	Unappropriated	Reserve for contingencies	Reserve for retirement of Series B stock	Reserve for capital notes retirement	
alance, December 31, 1990	420,033	$2,046,106	130,601	$653,005	$6,000,000	$7,412,764	$200,000	-	$90,000	($253,399)
et income						413,108				-
ppropriation of undivided rofits						(7,500)	7,500			
ash dividends, $.25 per hare on common and tated rates on preferred hares						(108,628)				
tirement of capital notes						90,000			(90,000)	
cretion of mandatorily deemable Series C referred shares						(49,067)				
covery of net unrealized ss on marketable equity ecurities										253,399
lance, March 31, 1991	420,033	$2,046,106	130,601	$653,005	$6,000,000	$7,750,677	$207,500	-	-	-
lance, December 31, 1991	414,866	$2,020,938	130,701	$653,505	$6,000,000	$8,935,102	$230,000	-	-	-
et income						711,043				
ppropriation of undivided rofits						(79,900)	10,000	$69,900		
sh dividends, $.25 per hare on common and ated rates on preferred hares						(110,644)				
lance, March 31, 1992	414,866	$2,020,938	130,701	$653,505	$6,000,000	$9,455,601	$240,000	$69,900	-	-

The accompanying notes are an integral part of these financial statements.

SOUTHERN BANCSHARES (N.C.), INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited) Three Months Ended March 31,	
	1992	1991
OPERATING ACTIVITIES:-		
Net income	$ 711,043	$ 413,108
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Provision for loan losses	150,000	150,000
Amortization of investment premiums	8,659	27,604
Accretion of investment discounts	(30,579)	(38,453)
Amortization of intangibles	33,713	52,511
(Gain) loss on sale of premises and equipment	(750)	1,522
Net gain on sale of investments	(43,940)	(22,283)
Depreciation of premises and equipment	126,745	69,787
(Increase) decrease in:		
Accrued interest receivable	(305,087)	(763,710)
Other assets	(89,369)	94,789
Increase (decrease) in:		
Accrued interest payable	(200,743)	(11,138)
Other liabilities	59,390	(24,145)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	419,082	(50,408)
INVESTING ACTIVITIES:		
Recoveries of charged-off loans	10,106	39,196
Maturities of investment securities	8,875,498	12,757,129
Sales of investment securities	581,336	2,043,551
Purchases of investment securities	(5,936,988)	(12,642,741)
Loan principal originated, net of collections	(6,109,879)	(3,558,639)
Proceeds from sale of premises and equipment	-	9,777
Additions to premises and equipment	(133,058)	(115,541)
NET CASH USED BY INVESTING ACTIVITIES	(2,712,985)	(1,467,268)

(Continued on following page)

SOUTHERN BANCSHARES (N.C.), INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited) Three Months Ended March 31,	
	1992	1991
(Continued from preceding page)		
FINANCING ACTIVITIES:		
Net increase (decrease) in demand and interest bearing deposits	7,277,639	(2,734,353)
Proceeds from sale of certificates of deposit, net of payments at maturity	-	1,447,379
Payments at maturity, net of proceeds from sale of certificates of deposit	(13,277,939)	-
Principal payments of capital notes	-	(90,000)
Net decrease in short-term borrowings	(982,758)	(599,176)
Federal funds purchased	7,600,000	-
Cash dividends paid	(110,644)	(108,628)
Retirement of redeemed stock	(256,467)	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	249,831	(2,084,778)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,044,072)	(3,602,454)
CASH EQUIVALENTS AT BEGINNING OF PERIOD	13,034,212	17,884,652
CASH EQUIVALENTS AT END OF PERIOD	$10,990,140	$14,282,198
Supplemental disclosures of cash paid during the period for:		
Interest	$ 2,597,012	$ 3,206,322
Taxes	$ 110,000	-

The accompanying notes are an integral

SOUTHERN BANCSHARES (N.C.), INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of Southern BancShares (N.C.), Inc. and its wholly-owned subsidiary, Southern Bank and Trust Company. The statements also include the accounts of Goshen, Inc., a wholly-owned subsidiary of Southern Bank and Trust Company. All significant intercompany balances and transactions have been eliminated in consolidation.

In management's opinion, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the financial condition and the results of operations and cash flows for all periods shown. The statements should be read in conjunction with the consolidated financial statements and accompanying notes for the year ended December 31, 1991.

NOTE 2 - EARNINGS PER SHARE:

Earnings per common share are computed by dividing income applicable to common shares by the weighted average number of common shares outstanding during the period. Income applicable to common shares represents net income reduced by dividends paid to preferred shareholders and accretion of mandatorily redeemable Series C preferred shares.

Earnings per common share are calculated based on the following amounts for the quarters ended March 31:

	1992	1991
Net income	$711,043	$413,108
Less:		
Preferred dividends	(77,969)	(75,978)
Accretion of redeemable preferred shares	-	(49,067)
Net income applicable to common shares	$633,074	$288,063
Weighted average common shares outstanding during the period	130,701	130,601

NOTE 3 - INVESTMENT SECURITIES:

Book values and estimated market values of investment securities were as follows (in thousands):

	March 31, 1992		December 31, 1991	
	Book Value	Market Value	Book Value	Market Value
U.S. Treasury securities and obligations of U.S. Government agencies	$ 65,973	$ 66,949	$ 68,967	$ 70,629
Obligations of states and political subdivisions	32,460	33,194	32,398	32,877
Corporate securities	400	401	916	917
Mortgage-backed securities	2,486	2,632	2,492	2,691
Marketable equity securities	4,641	6,649	4,641	5,787
Total	$105,960	$109,825	$109,414	$112,901

NOTE 4 - LOANS:

Loans by type were as follows (in thousands):

	March 31, 1992	December 31, 1991
Commercial, financial and agriculture	$ 24,592	$ 20,460
Real estate - construction	1,249	1,348
Real estate - mortgage	84,144	81,898
Instalment	25,221	25,436
	$135,206	$129,142

NOTE 5 - ALLOWANCE FOR POSSIBLE LOAN LOSSES:

Transactions in the allowance for possible loan losses for the three-month period ended March 31, 1992 were:

Balance at beginning of year	$3,053,428
Provision charged to operating expense	150,000
Loans charged off	(45,212)
Loan recoveries	10,106
Balance at end of period	$3,168,322

NOTE 6 - MANDATORILY REDEEMABLE SERIES C PREFERRED STOCK:

At any time during the six month period ending June 30, 1992, Series C preferred shareholders can require the Company to repurchase any or all shares at a price of $13.25 per share.

During the three month period ended March 31, 1992, 19,356 shares were redeemed at an aggregate price of $256,467.

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Post Office Box 95115
Raleigh NC 27625

Telephone 919 878 5700
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Price Waterhouse

April 27, 1992

To the Board of Directors and Shareholders
of Southern BancShares (N.C.), Inc.

We have made a review of the consolidated balance sheet of Southern BancShares (N.C.), Inc. and its subsidiary as of March 31, 1992, and the consolidated statements of income, of changes in shareholders' equity and of cash flows for the three month periods ended March 31, 1992 and 1991, in accordance with standards established by the American Institute of Certified Public Accountants.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with generally accepted accounting principles.

We previously audited in accordance with generally accepted auditing standards, the consolidated balance sheet as of December 31, 1991, and the related consolidated statements of income, of changes in shareholders' equity and of cash flows for the year then ended (not presented herein), and in our report dated January 17, 1992 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 1991, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

Price Waterhouse

SOUTHERN BANCSHARES (N.C.) INC.
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - FIRST QUARTER OF 1992 VS. FIRST QUARTER OF 1991

Introduction

Southern BancShares' net income increased $297,935 from $413,108 in 1991 to $711,043 in 1992. This increase was the result of increased net interest income.

Interest Income

Interest on loans decreased $145,604 from $3,326,708 in 1991 to $3,181,104 in 1992, or 4.4%. This decrease was primarily due to decreased interest rates charged on loans. Average loans for the quarter were $129.1 million, up 4.9% from $123.1 million in 1991. Generally lower interest rates caused the yield on the loan portfolio to decrease from 10.8% in 1991 to 9.9% in 1992.

Interest income from investment securities including U. S. Treasury and Government obligations, obligations of state and county subdivisions, decreased $50,463 from $1,925,132 in 1991 to $1,874,669 in 1992. This was due to lower interest rates on investment securities between the two periods. Average investment securities outstanding increased $8.4 million, or 8.4%.

Interest income on federal funds sold decreased $87,173 or 97.7% from $89,255 in 1991 to $2,082 in 1992. This decrease was due to decreased investment in Federal Funds sold. These funds helped to fill the increased loan demand in 1992.

As a result of the above, total interest income decreased $283,240 from $5,341,095 in 1991 to $5,057,855 in 1992. This increase was the direct result of the changes in the interest rates noted above.

Interest Expense

Total interest expense decreased 25.0%, from $3,195,184 in 1991 to $2,396,269 in 1992. Decreased interest expense on interest bearing deposit accounts - time and savings - caused this decrease. Average interest bearing demand and savings deposits increased $17.8 million between the two periods while average time deposits decreased $16.0 million. This was the result of time deposit interest rates falling below other interest bearing demand and savings interest rates for most of the 1992 quarter. Overall, average interest bearing deposits increased $1.8 million between the two periods.

Interest Expenses (continued)

Interest rates between 3% and 4% have forced depositors to explore other investments for a better return, thus the slow down in deposit growth.

Provision for Possible Loan Losses

$150,000 was provided for possible loan losses in the first three months in both periods. These provisions were due in part to management's concern for the economy in the Company's market area and the increase in loans noted above.

During the first quarter, charged off loans net of recoveries were $35,106. During the same period in 1991, charge offs net of recoveries were $250,620. This represented a decrease in net charge offs of $215,514. This decrease was due to decreases in non-performing loans. The Allowance for Possible Loan Losses represented 2.3% of loans outstanding at March 31, 1992, and is considered adequate.

The Bank has no loans classified for regulatory purposes as loss, doubtful, substandard, or special mention which are material and (i) represent or result from trends or uncertainties which management reasonably expects will materially impact future operating results, liquidity or capital resources, or (ii) represent material credits about which management is aware of any information which causes management to have serious doubts as to the ability of such borrowers to comply with the loan repayment terms.

Net Interest Income after Provision for Loan Losses

Net interest income after provision for loan losses was up $515,675 or 25.8% from $1,995,911 in 1991 to $2,511,586 in 1992. This increase was due to the decreases in interest expense exceeding the decreases in interest income, noted above.

Other Operating Income

Gains on sales of investment securities increased $21,657 or 97.2% from $22,283 in 1991 to $43,940 in 1992.

Income from service charges on deposit accounts, other service charges and fees, and other income increased $68,942 from $480,743 in 1991 to $549,685 in 1992, an increase of 14.3%. This was the result of changes in the service charge structure in 1991.

Other Operating Expenses

Other operating expense including personnel, occupancy, furniture and equipment and other expenses increased $209,096 or 10.4%, from $2,003,172 in 1991, to $2,212,268 in 1992. This increase was due primarily to increased printing and supplies expense, increased data processing charges, higher rates on Federal Deposit Insurance Corporation premiums, and depreciation of branch automation equipment.

Income Taxes

In the first quarter of 1991 the Company had income tax expense of $181,900. This was up from $82,657 in the same period a year prior. This increase was due to increased profitability. The effective tax rate increased from 17% in 1991 to 20% in 1992. This increase is primarily due to decreased tax exempt income.

Accounting and Regulatory Matters

The Financial Accounting Standards Board ("FASB") has issued Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes", which is effective for fiscal quarters beginning after December 15, 1992. The statement requires the liability approach for financial accounting and reporting for income taxes and requires recognition of (i) the amount of taxes payable or refundable for the current year and (ii) defined tax liabilities and assets for the future tax consequences of events that have been recognized in an enterprise's financial statements or tax returns. The Company intends to adopt SFAS 109 in 1992. The effect of the statement on the Company's financial statements is not known or reasonably estimable at this time.

In addition, the FASB has issued Statement of Financial Accounting Standards No. 106 ("SFAS 106"), "Employers' Accounting for Postretirement Benefits Other than Pensions", which mandates accrual during an employees' active years of service of the expected costs of providing postretirement benefits, principally health care, to employees and their beneficiaries and their dependents. The Company presently does not furnish any postretirement health care benefits and therefore this statement is not expected to have any impact on the financial position or results of operations.

Accounting and Regulatory Matters (continued)

The FASB has also issued Statement of Financial Accounting Standards No. 107 ("SFAS 107"), "Disclosures About Fair Value of Financial Instruments", that mandates disclosure of fair value of financial instruments (both assets and liabilities on and off balance sheet) for which it is practicable to estimate market values and pertinent description of those instruments for which market values are not readily available. Adoption of this standard is required for years ending after December 15, 1992. Since SFAS 107 only requires additional disclosure, implementation and application of the standard will not affect periodic net income or financial position except to the extent that additional immaterial costs are incurred to comply with the standard.

The Securities and Exchange Commission has requested that the FASB develop *new accounting standards* that *could require financial* institutions to carry all investment securities at their fair market value. Implementation of such standard would more than likely produce significant volatility in the measurement of periodic net income and capital.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") was enacted in August 1989. Among other provisions, FIRREA requires that an increase in the rate of annual insurance assessments on deposits paid by banks whose deposits are insured by the new Bank Insurance Fund (the Fund) be phased in from the old rate of .083 percent to .12 percent on January 1, 1990, and to .230 percent during 1991. Under certain provisions related to the Fund, the annual rate can be further increased to a maximum of .325 percent. Various proposals have been put forth by regulators and others, which, if adopted could substantially increase the foregoing assessments and have a material impact on BancShares' results of operations.

Management is not aware of any other known trends, events, uncertainties, or current recommendations by regulatory authorities that will have or that are reasonably likely to have a material affect on BancShares' liquidity, capital resources or other operations.

Capital

The following table presents certain calculations and ratios of the company which are considered measures of capital adequacy:

	March 31 1992	December 31 1991
Total Stockholder's Equity	$18,440	$17,840
Primary Capital	21,204	20,455
Leverage Capital	16,015	17,402
Risk Based Capital	21,479	21,058
Primary Capital Ratio	8.14%	7.84%
Leveraged Capital Ratio (1)	6.22%	6.75%
Tier I Capital Ratio	12.87%	14.28%
Total Risk-Based Capital Ratio (2)	15.53%	15.55%
Capital to Assets	7.10%	6.89%
Capital + Allowance for Loan Losses to Assets + Allowance for Loan Losses	8.22%	7.97%
Deposits to Capital	12.42	13.17
Loans to Capital	7.33	7.24

(1) Bank holding companies operating at the 3% minimum are expected to have well diversified risk profiles, including no undue interest rate risk, excellent asset quality, high liquidity and strong earnings. Bank holding companies not meeting these requirements are expected to maintain a leverage ratio somewhat higher than the 3% minimum applicable to the highest rated companies.

(2) At December 31, 1992 the minimum ratio of qualifying total capital to risk weighted assets will be 8%, of which 4% must be Tier 1 capital, which is common equity, retained earnings, and a limited amount of perpetual preferred stock less certain intangibles.

Capital Resources

Series C Preferred Stock shareholders can require BancShares to repurchase any or all shares of Series C at a price of $13.25 per share, during the six month period December 30, 1991 through June 29, 1992. Due to this redemption option Series C stock has not been considered a part of BancShares Total Capital. However, at the end of the put option period, all remaining shares of Series C will be equal to Series B Preferred stock, thereby increasing BancShares capital. As of March 31, 1992, 19,356 shares of Series C stock had been redeemed for $256,467.

Liquidity

Liquidity is the ability of the Company to generate enough funds to meet the financial obligations and commitments without impacting net interest income. One of the Company's objectives is to maintain a high level of liquidity. Maintaining liquidity ensures that funds will be available for reserve requirements, customer demand for loans, withdrawal of deposit balances, and maturities of other deposits and liabilities. These obligations can be met by existing cash reserves or funds from maturing loans and investments, but in the normal course of business are met by deposit growth. Increased deposits and retained earnings are also the sources for the Company's continued growth.

In the first quarter of 1992, operating activities of the company provided $419,082 of cash flows. Net income of $711,043, adjusted for non-cash operating activities provided the majority of cash generated from operations.

Investing activities, including lending, used $2,712,985 of the Company's cash flow, which resulted in a $3,453,986 net decrease in the investment portfolio. Loans originated net of principal collected used $6,109,879 in funds.

Net additional cash inflows of $249,831 were provided by financing activities. During the 1992 quarter, $7,600,000 in Federal Funds purchases were offset by $6,000,300 in reductions in total deposits, $982,758 in reductions of repurchase agreements and the Treasury Tax and Loan account, retirement of Series C preferred stock at $256,467, cash dividends to shareholders of $110,644, and the $69,900 reserve for preferred stock retirement.

The Company's liquid assets include investment securities, federal funds sold, and cash and due from banks. These assets represented 51.1% of total deposits at March 31, 1992, an increase from 50.7% at March 31, 1991. This increase is primarily due to the decrease in deposits outstanding between the two periods.

Liquidity (continued)

Jumbo CD's (Certificates of Deposit) are considered to include all CD's of $100,000 or more. Because of the rate sensitive nature of these deposits, they are considered 'hot money' by most regulators. Southern Bank does not and never has aggressively bid on these deposits. The Bank does not seek nor does it accept deposits from outside its general trade area. Almost all of the Bank's Jumbo CD customers have other relationships with the Bank, including savings, demand and other time deposits, and in some cases, loans.

Management is not aware of any known demands, commitments or uncertainties that will affect liquidity in a material way.

The following table presents certain ratios of the company which are considered measures of liquidity.

	3/31/92	12/31/91	Legal Limits
Loans to Deposits	59.04%	54.95%	80% (1)
Interest Bearing Deposits To Total Deposits	87.21%	86.42%	
Jumbo CD's To Total Deposits	6.20%	8.45%	
Loans to Assets	52.05%	49.87%	70% (1)
LIQUIDITY (3)	41.34%	46.34%	25% (2)
Temporary Investments to Volatile Liabilities (4)	232.53%	134.12%	100% (2)
Volatile Liability Dependence	-15.09%	-3.90%	0 or (-)

(1) Maximum (2) Minimum

(3) 'LIQUIDITY' is determined as follows:

$$\frac{\text{Net Cash + Short Term and Marketable Securities}}{\text{Net Deposits + Short Term Liabilities}}$$

(4) Volatile Liabilities include Certificates of deposit of $100,000 or more, repurchase agreements, and the Treasury Tax and Loan Account.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SOUTHERN BANCSHARES (N.C.), INC.

RS Williams

Dated May 13, 1992

R. S. Williams,
President

David A. Bean

Dated May 13, 1992

David A. Bean,
Secretary/Treasurer

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended October 31, 1991	Commission File Number 2-72900-LA

TAPE SPECIALTY, INC.

(Exact name of registrant as specified in its charter)

California	95-3007309
(State of other Jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

13411 Saticoy Street, North Hollywood, California 91605
(Address of Principal Executive Offices) (Zip Code)

(818) 786-6111
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ________ NO________

Common Stock, no par value, shares outstanding at the close of the period covered by this Report (October 31, 1991) 2,805,679.

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TAPE SPECIALTY, INC.

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

TAPE SPECIALTY, INC.
BALANCE SHEETS

	October 31, 1991 (unaudited)	January 31, 1991
ASSETS		
Current Assets:		
Cash	$ 56,440	$
Accounts Receivable, net allowance for doubtful accts. of 5,000 each year respectively	351,194	325,928
Inventories, at cost	149,242	208,200
Current portion of note rec. from stockholders		1,652
Prepaid Expense	2,810	
Other Receivables	46	
TOTAL ASSETS	559,732	535,780
Property & Equipment, at cost net of accumulated depreciation	509,788	496,949
Other Assets	38,175	39,949
TOTAL ASSETS	$ 1,107,695	$1,072,678
LIABILITIES AND STOCKHOLDERS (DEFICIT)		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	$ 106,816	$ 264,550
Accrued Interest	54,900	162,038
Note Payable	123,489	220,751
Current portion of long-term debt	78,462	43,566
Taxes payable	35,223	6,710
TOTAL CURRENT LIABILITIES	398,890	697,615
Convertible Subordinated Debentures	40,000	109,000
Long-Term Debt, net of current portion	164,369	150,756
Deferred Income Tax		
TOTAL LIABILITIES	$ 603,259	$ 997,371
Stockholders' Equity (Deficit):		
Common Stock, no par value, 20,000,000 shares authorized, 2,805,679 shares outstanding	1,353,174	1,353,173
Accumulated Deficit	(848,738)	(1,277,866)
Total Stockholders' (deficit)	504,436	(75,307
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)	$ 1,107,695	$ 1,072,678

SEE NOTES TO FINANCIAL STATEMENTS

TAPE SPECIALTY, INC.
STATEMENTS OF OPERATIONS
(unaudited)

	For the Quarters Ended October 31, 1991	1990
SALES	$ 847,760	$ 701,978
COST OF SALES	553,335	505,425
GROSS PROFIT	294,425	196,553
SELLING, GENERAL AND ADMINISTRATIVE	181,331	159,034
INCOME FROM OPERATIONS	113,094	37,519
OTHER INCOME (EXPENSE)		
COMMISSION INCOME		
INTEREST AND MISCELLANEOUS INCOME	24,425	574
INTEREST EXPENSE	(18,916)	(29,463)
	5,509	(28,889)
INCOME BEFORE TAXES AND EXTRAORDINARY ITEMS	118,603	8,630
PROVISION FOR INCOME TAX	11,030	2,071
INCOME BEFORE EXTRAORDINARY ITEMS	129,633	6,559
EXTRAORDINARY ITEMS		
Gain from early extinguishment of debt	104,650	11,250
Related Provision for income taxes	10,486)	(2,700)

SEE NOTES TO FINANCIAL STATEMENTS

TAPE SPECIALTY, INC.
STATEMENTS OF OPERATIONS
(unaudited)
(CONTINUED)

	For the quarters Ended October 31, 1991	1990
CREDIT FROM UTILIZATION OF LOSS CARRYFORWARD	$ 21,516	$ 4,771
NET INCOME	201,737	20,511
ACCUMULATED DEFICIT, BEGINNING OF PERIOD	(1,081,115)	(1,286,621)
ACCUMULATED DEFICIT, END OF PERIOD	(879,378)	$(1,266,110)
NET INCOME PER SHARE	$ .08	$ .02
WEIGHTED AVERAGE SHARES OUTSTANDING	2,805,679	2,805,679

SEE NOTES TO FINANCIAL STATEMENTS

TAPE SPECIALTY, INC.
STATEMENT OF OPERATIONS
(unaudited)

	For the Nine Months Ended October 31,	
	1991	1990
SALES	$2,509,068	$2,176,794
COST OF SALES	1,667,212	1,566,303
GROSS PROFIT	841,856	610,491
SELLING, GENERAL AND ADMINISTRATIVE	533,318	485,569
INCOME FROM OPERATIONS	308,538	124,922
OTHER INCOME (EXPENSE)		
INTEREST & MISCELLANEOUS INCOME	50,357	9,388
INTEREST EXPENSE	(64,214)	(86,016)
	(13,857)	(76,628)
INCOME BEFORE TAXES AND EXTRAORDINARY ITEMS	294,681	48,294
PROVISION FOR INCOME TAXES	27,405	11,590
INCOME BEFORE EXTRAORDINARY ITEMS	267,276	36,704
EXTRAORDINARY ITEMS		
GAIN FROM EARLY EXTINGUISHMENT OF DEBT	174,025	11,250
RELATED PROVISION FOR INCOME TAX	(18,483)	(2,700)

SEE NOTES TO FINANCIAL STATEMENTS

TAPE SPECIALTY, INC.
STATEMENTS OF OPERATIONS
(CONTINUED)
(UNAUDITED)

	FOR THE NINE MONTHS ENDED OCTOBER 31, 1991	1990
CREDIT FROM UTILIZATION OF LOSS CARRYFORWARD	42,599	14,290
NET INCOME	422,817	59,544
ACCUMULATED DEFICIT, BEGINNING	(1,161,712)	(1,286,621)
ACCUMULATED DEFICIT, END OF PERIOD	(848,738)	(1,266,110)
NET INCOME PER SHARE	.15	.07
WEIGHTED AVERAGE SHARES OUTSTANDING	2,805,679	2,805,679

TAPE SPECIALTY, INC.
STATEMENT OF CASH FLOWS
(UNAUDITED)

CASH FLOW PROVIDED BY OPERATIONS:	FOR THE QUARTERS ENDED OCTOBER 31, 1991	1990
NET INCOME	$ 208,046	$ 20,511
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
DEPRECIATION	25,480	25,000
(INCREASE IN ACCOUNTS RECEIVABLE	80,335	(107,092)
INCREASE IN INVENTORY	(13,161)	7,978
(INCREASE) DECREASE IN OTHER ASSETS DEPOSITS	(649)	(7,323)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	(48,332)	26,402
INCREASE (DECREASE) IN INTEREST PAYABLE	81,300	(18,150)
NET CASH PROVIDED BY OPERATING ACTIVITIES	333,019	52,674
CASH FLOWS USED BY INVESTING ACTIVITIES:		
ACQUISITION OF PROPERTY AND EQUIPMENT	38,469	(22,655)
NET CASH FLOWS USED BY INVESTING ACTIVITIES	38,469	(22,655)

SEE NOTES TO FINANCIAL STATEMENTS

TAPE SPECIALTY, INC.
STATEMENT OF CASH FLOWS
(UNAUDITED)

	FOR THE QUARTERS ENDED OCTOBER 31, 1991	1990
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:		
PROCEEDS FROM NEW BORROWINGS		
REDUCTION OF CONVERTIBLE DEBENTURES	(72,000)	(12,000)
INCREASE OF LONG TERM DEBT	(43,849)	(86,753)
REDUCTION OF OFFICER'S LOANS		4,872
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	115,849	(93,881)
INCREASE/(DECREASE) IN CASH	33,473	17,947
CASH AT THE BEGINNING OF PERIOD	22,967	(41,394)
CASH AT THE END OF THE PERIOD	(56,440)	45,392
ADDITIONAL DISCLOSURES		
CASH PAID DURING THE YEAR FOR:		
INTEREST	53,864	29,463
INCOME TAXES	11,825	

SEE NOTES TO FINANCIAL STATEMENTS

TAPE SPECIALTY, INC.
STATEMENT OF CASH FLOWS
(UNAUDITED)

CASH FLOW PROVIDED BY OPERATIONS:	FOR THE NINE MONTHS ENDED OCTOBER 31,	
	1991	1990
NET INCOME	$429,128	$ 59,543
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
DEPRECIATION	75,640	74,999
(INCREASE) IN ACCOUNTS RECEIVABLE	(25,266)	(49,539)
PROVISION FOR LOSSES ON ACCOUNTS RECEIVABLE		
(INCREASE), DECREASE IN INVENTORY	58,958	(44,905)
INCREASE IN PREPAID EXPENSES	2,810	4,321
DECREASE IN OTHER RECEIVABLES		
(INCREASE) DECREASE IN OTHER ASSETS	46	
DEPOSITS		
(DECREASE) IN ACCOUNTS PAYABLE	(157,734)	(48,728)
(INCREASE) DECREASE IN INTEREST PAYABLE	107,138	(6,750)
NET CASH PROVIDED BY OPERATING ACTIVITIES	490,720	11,059
CASH FLOWS USED BY INVESTING ACTIVITIES:		
ACQUISITION OF PROPERTY & EQUIPMENT	88,479	(77,700)
NET CASH FLOWS USED BY INVESTING ACTIVITIES	88,479	(77,700)

TAPE SPECIALTY, INC.

CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:	1991	1990
Reduction of convertible debentures	(109,000)	(12,000)
Reduction of long term debt	13,613	143,120
Reduction of officer's loans		17,932
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	(95,387)	(45,392)
Increase/(Decrease) in cash	56,440	45,392
Cash at the beginning of year		
Cash at the end of the year	56,440	(45,392)

TAPE SPECIALTY, INC.
NOTES TO FINANCIAL STATEMENTS
(unaudited)

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

In April 1981, Tape Specialty, Inc. (successor corporation) was organized under the laws of California. Pursuant to an Agreement of Merger dated May 18, 1981, the successor corporation issued 1,857,143 shares of its common stock in exchange for all the outstanding shares of Tape Specialty, Inc. (predecessor corporation) which was formed and commenced operations in February 1976.

The Company is engaged in the business of duplicating, manufacturing, producing and marketing audio cassette tapes.

Depreciation and Amortization

Depreciation and amortization are provided on the straight-line method over the lives of the related assets as follows:

	Period
Machinery and equipment	20 years
Recording masters	3-5 years
Furniture and fixtures	7 years
Leasehold improvements	5 years

Inventories consist of the following:

	January 31, 1991
Raw materials	$124,823
Work in process	18,484
Finished goods	30,621
Parts & supplies	34,272
	$208,200

For the quarter ending October 31, 1990 inventory has been estimated using the gross profit percentage method.

Inventories are stated at the lower of cost (first-in, first-out) or market.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

Upon the consumation of the Company's intitial public offering of convertible subordinated debentures and common stock purchase warrants in November 1981, the Company received net proceeds in the amount of $1,253,000. The Company used such proceeds to expand its production capacity by leasing an additional 4,700 square feet of manufacturing facilities, to purchase approximately $211,000 of capital equipment, to reduce approximately $376,000 of outstanding debt, to increase inventory through the purchase of cassette casings and tape from various international sources, to make certain leasehold improvements in the amount of approximately $26,000 and for new product development in the approximate amount of $135,000. The anticipated expenditures of a portion of the proceeds from the public offering for marketing and sales development and additional new product development has been deferred until such time as general economic conditions and the availability of additional capital resources permit. The deferral of such additional development has resulted in severe reductions in the rate of the Company's subsequent annual sales increases.

In May 1983, the Company completed an exchange offer with the holders of outstanding Convertible Subordinated Debentures and Common Stock Purchase Warrants whereby such holders were given the opportunity to convert the Debentures ad exercise the Warrants at more favorable rates. As a result of the exchange offer, a total of 1,264 Debentures in the aggregate principal amount of $1,264,000 were converted into 758,400 shares of Common Stock. The reduction in the amount of outstanding Debentures enabled the Company to reduce its outstanding debt by $1,264,000 (representing the principal amount of Debentures converted), and reduce its debt service payments required with respect to the Debentures by approximately 70% in fiscal 1984 from debt service expenses incurred in fiscal 1983. The remaining outstanding Debentures bear interest at the rate of 15% per annum, which represented an interest expense of approximately $77,000 during each of fiscal 1987 and 1986.

Interest on the debentures is payable semi-annually and the Indenture relating to the outstanding Debentures provides for a 30-day grace period with respect to the payment of interest by the Company. The Company is presently in default in the payment of interest in the aggregate of $ 54,900 as of Oct. 31, 1991 on its Convertible Subordinated Debentures. The interest amounts were payable semi-annually beginning at April 30, 1984 through April 30, 1989. The Company's failure to pay such interest amounts constitutes a default under the terms of the Indenture relating to the Debentures.

Under the terms of the Indenture, upon such default, the Indenture Trustee or the holders of 25% in interest of the outstanding Debentures may accelerate the Debentures and declare the principal and interest due thereon immediately due and payable. Although as of the filing of this Report no notice of acceleration has been received by the Company, in the event of such acceleration, the Company can, upon the consent of a majority in interest of the outstanding Debentures, cure such default by paying the interest currently due together with any expenses of the trustee arising from the acceleration. In the event the Company is unable to cure such default, the trustee may, under the terms of the Indenture, institute judicial proceedings against the Company to collect the amounts due under the Debentures. Such collections may be made against any of the assets of the Company.

During fiscal 1990, the Company was able to improve its working capital deficit and achieve profitability. This was largely due to extaordinary items such as the repurchase of the debentures. The Company repurchased 109 debentures with an outstanding value of $109,000 plus accrued interest of $65,025.00 which created a $174,025 gain.
Sales for the period increased at a higher rate than cost of sales and general and administrative costs. The loss from operations of the business was significantly less than the prior fiscal year. It is anticipated that the Company will continue to have difficulty meeting its short and long-term capital needs without sustained growth and better financing.

During fiscal 1989, the Company was able to improve its working capital deficit and achieve profitability. This was due also to the repurchase of the debentures which accounted for $360,290 gain. It is anticipated that the Company will continue to have extreme difficulty meeting its short and long-term capital needs in the absence of continued profitability of its operations or the availability of additional financing upon terms which are more favorable to the Company than those which it has been able to secure to date.

As of January 31, 1990, the Company's current liabilities exceeded its current assets by $218,850. This deficit in working capital resulted because the Company's primary source of cash is cash flow from operations, which has been insufficient to meet the Company's current expenses and obligations. The Company subsequently secured new financing providing operating funds at improved interest rates.

Result of Operations

The Company's total revenues for fiscal 1990 increased by approximately 14.5% to $3,086,934 from revenues of $2,697,172 in fiscal 1989 and 21.0% over 1988 revenues of $2,228,121. The increase in revenues for fiscal 1990 was related to market expansion and increased marketing efforts. however, the Company's continuing inability to purchase raw materials in sufficient quantities to keep pace with customer orders continues to hinder sales growth and is anticipated to continue to be a problem in the near future until the Company is able to increase its working capital through more consistently profitable operations. In the event that the Company is unable to continue to improve cash flow, it will be unable to maintain its present operations or continue its business as a going concern.

Costs of sales expressed as a percent of sales revenues averaged approximately 73.1% in fiscal 1990 and 79.9% in fiscal 1989. During the last five years, the cost of sales has averaged 74%. The 5% increased experienced in 1989 was primarily attributable to increased labor costs due to overtime, higher packaging costs from government work and write-off of obsolete plates and masters.

Selling, general and administrative expenses increased by approximately 5.8% (as a percent of current year's sales) during 1990. The most significant increases were wages, bad debts and interet expense. The increases were partially offset by decreases to professional fees. The increase to interest was primarily due to larger borrowings. Selling, general and administrative expenses remained constant (as a percent of current year's sales) during 1989.

Effects of Inflation

Inflation has caused increases in all major categories of costs and expenses. To help offset this trend, the Company is increasing productivity by the use of more efficient manufacturing equipment and by reducing the costs of its products through international procurement of raw materials in larger, more economical quantities.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings.

Moe's To Go Company and Moe's To Go Company Money Purchase Pension Plan v. Tape Specialty, Inc. et. al, California Superior court, for the County of Butte, Case No. 9249. The plaintiffs contend that the Company and its officers committed fraud and negligence in causing the plaintiffs to purchase the Company's debentures, in the amount of $15,000. Plaintiffs further contend that the Company failed to make bi-annual interest payments after October 31, 1983. A motion for Change of Venue has been filed on behalf of the Company, in response to that complaint, and plaintiffs' counsel has requested several court continuances to permit plaintiffs to consider whether to dismiss the suit as to the Company. Plaintiffs have amended the complaint to add Doe defendants who are certain individuals whom plaintiffs contend are investment brokers who sold the investment to plaintiffs. One such additional defendant, Mr. David Lackey, ha filed an answer to the complaint denying the material allegations thereof and has filed a cross-complaint for indemnification against the Company. Counsel for Mr. Lackey withdrew from representation at the beginning of 1988 and no new counsel has been retained. The case has been dormant. The Company is, in fact, in breach of the trust indenture pursuant to which the debentures were issued, by failing to pay the interest required thereby. As of the date of this report the case has been settle in favor of Tape Specialty, Inc.

Singer Associates, Inc. v. Tape Specialty, Inc., Los Angeles Superior Court, Case No. NWC 026 692. The plaintiff is seeking damages for breach of contract and common counts, alleging that it was due $71,815.32 plus interest at the rate of 10% per annum from August 27, 1984. This August date is allegedly the point at which the Company began failing to make payments to plaintiff under a employment contract. An employee of the plaintiff (Alvin Singer) is a former President and current shareholder of the Company. The Company contends that the Plaintiff's rights under the employment contract were waived upon Mr. Singer's resignation as President on November 21, 1983, and that all compensation earned to that date has been paid by the Company. On August 17, 1989 the law suit was settled for $43,500. As of January 31, 1989 the financial statements included approximately $65,00 of accrued liabilities to Mr. Singer.

Item 2. Changes in Securities

Not applicable.

Item 3. Defaults Upon Senior Securities.

The Company is presently in default in the payment of interest in the aggregate of $168,000 on its outstanding Convertible Subordinated Debentures. The interest amounts were payable semi-annually from April 30, 1984 through April 30, 1989. The Company's failure to pay such interest amounts constitutes a default under the terms of the Indenture relating to the Debentures.

Under the terms of the Indenture, upon such default the Indenture trustee or the holders of 25% in interest of the outstanding Debentures have the right to accelerate the Debentures and declare the principal and accrued interest on the Debentures immediately due and payable. Although as of the filing of this report, no notice of acceleration has been received by the Company, in the event of such acceleration the Company can, upon the consent of a majority in interest of the outstanding Debentures, cure such default by paying the interest currently due together with any expenses of the trustee arising from the acceleration. In the event the Company is unable to cure such default, the trustee may, under the terms of the Indenture, institute judicial proceedings against the Company to collect the amounts due under the Debentures. Such collection may be made against any of the assets of the Company.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable

Item 5. Other Information.

Mr. Leonard Feldman passed away February 1989. He served as Chairman of the Board of the Company, Vice President Marketing, Treasurer and as a Director since the Company's organization in 1976. From August 1971 to April 1976, Mr. Feldman was Vice President-Production Management and Marketing for Magnetic Tape Engineering Corporation, North Hollywood, California where he was responsible for national sales distribution and marketing. While in the employ of such company Mr. Feldman was in charge of advertising ad pricing policies, national media promotion, marketing research, public relations and the development of new product concepts. From January 1969 to August 1971, Mr. eldman was Corporate Operations Manager, a member of the Executive Corporate Planning Committee and General Manager of the Recording and Duplicating Division of Superscope Inc., Sun Valley, California; a company engaged in the business of tape duplicating. In those positions, Mr. Feldman was responsible for the supervision of administrative activities including sales and marketing activities for domestic and foreign operations, product development, advertising and promotion. Mr. Feldman graduated from the Univesity of Wisconsin, Madison (B.S., Industrial Management). Leonard Feldman was the father of Steven Feldman.

As of March 1989, Bernice Feldman replaced Leonard Feldman as Chairman of the Board of Directors. At this time a third member was added to the Board of Directors. Prior to this time, the Board was composed of only two members.

The information set forth herein reflects all adjustments which was in the opinion of management, necessary to a fair statement of the results for the period shown.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

TAPE SPECIALTY, INC.

Dated: 2/25/92

By: Steven H Feldman
Steven H. Feldman
President

SIGNATURE	TITLE	DATE
Steven H Feldman Steven H. Feldman	President, Chief Executive Officer and Director (Principal Executive Officer)	Oct. 31 1991
Bernice Feldman	Chairman of the Board	Oct. 31 1991

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549
Form 10-Q

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QUARTERLY REPORTS UNDER SECTION ACT 13 OR 15(d) OF THE SECURITIES ACT OF 1934

For Quarter Ended January 31, 1991

Commission file number 0-14978

Transamerican Petroleum Corporation
(Exact Name of Registrant as Specified in its Charter)

Colorado 84-0851916

1050 Walnut Street #401
Boulder, Colorado 80302
(Address of principal executive offices)

(303) 447-9099
(Registrant's telephone number, including area code)

Indicate by checkmark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No__

The number of shares outstanding of the Registrant's classes of common stock, as of the close of the period covered by this report was:

Common Stock, $.01 Par Value, 6,426,985

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FINANCIAL INFORMATION

Part I

Item 1. Financial Statements

The accompanying unaudited condensed financial statements have been prepared in accordance with the instructions to form 10-Q and do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included (all of which are normal recurring accruals).

TRANSAMERICAN PETROLEUM CORPORATION
BALANCE SHEETS

ASSETS

	January 31, 1991 (Unaudited)	April 30, 1990 (Audited)
CURRENT ASSETS		
Cash	$ 306	$ 87
Accrued oil & gas sales	50	50
Total Current Assets	356	137
PROPERTY AND EQUIPMENT		
Oil and gas properties	--	297,058
Equipment and fixtures	--	476
	--	297,534
Less accumulated depletion, depreciation	--	(147,534)
Net Property and Equipment	--	150,000
Total Assets	$ 356	$ 150,137

LIABILITIES AND SHAREHOLDERS' EQUITY

	January 31, 1991 (Unaudited)	April 30, 1990 (Audited)
CURRENT LIABILITIES		
Accounts payable - trade	$ 3,700	$ 10,682
SHAREHOLDERS' EQUITY		
Common stock Authorized- 45,000,000 shares, $.01 par value		
Issued and fully paid 6,426,985	64,270	61,768
Paid-in capital in excess of par value	986,984	982,285
Retained deficit	(1,054,598)	(904,598)
Total Shareholders' Equity	3,344	139,455
Total Liabilities and Shareholders' Equity	$ 356	$ 150,137

See Attached Notes

TRANSAMERICAN PETROLEUM CORPORATION
STATEMENT OF INCOME (LOSS)

	Three Months Ended January 31, 1991 (Unaudited)	Three Months Ended January 31, 1920 (Unaudited)
REVENUE		
Sale of properties	$(146,884)	$ --
EXPENSES		
Administrative expense	3,099	--
Total Expense	3,099	--
INCOME (LOSS) BEFORE INCOME TAXES	(149,983)	--
PROVISION FOR INCOME TAXES	--	--
NET INCOME (LOSS)	$(149,983)	$ --
NET INCOME (LOSS) PER SHARE	(.023)	--
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING	6,426,985	6,176,985

TRANSAMERICAN PETROLEUM CORPORATION
STATEMENT OF INCOME (LOSS)

	Nine Months Ended January 31, 1991 (Unaudited)	Nine Months Ended January 31, 1990 (Unaudited)
REVENUE		
Oil and gas	$ --	$ 421
Sale of properties	(146,884)	--
Total Revenue	(146,884)	421
EXPENSES		
Depletion, depreciation, amortization	--	76
Administrative expense	3,115	441
Total Expense	3,115	517
INCOME (LOSS) BEFORE INCOME TAXES	(149,999)	(96)
PROVISION FOR INCOME TAXES	--	--
NET INCOME (LOSS)	$(149,999)	$(96)
NET INCOME (LOSS) PER SHARE	(.023)	(.001)
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING	6,426,985	6,176,985

See Attached Notes

TRANSAMERICAN PETROLEUM
STATEMENTS OF CASH FLOWS

	Three Months Ended January 31, 1991 (Unaudited)	Three Months Ended January 31, 1990 (Unaudited)
Cash Flows From Operating Activities		
Net (Loss)	$(149,983)	$ --
Adjustments to reconcile net income (loss) to cash provided by operating activities		
Sale of properties	150,000	--
Net Cash provided by Operating Activities	17	--
Cash at Beginning of Period	289	87
Cash at End of Period	$ 306	$ 87

See Attached Notes

TRANSAMERICAN PETROLEUM
STATEMENTS OF CASH FLOWS

	Nine Months Ended January 31, 1991 (Unaudited)	Nine Months Ended January 31, 1990 (Unaudited)
Cash Flows From Operating Activities		
Net (Loss)	$(149,999)	$(96)
Adjustments to reconcile net income (loss) to cash provided by operating activities	--	76
Depreciation and depletion	--	--
Decrease in accounts payable	(6,982)	--
Sale of Properties	150,000	--
Net Cash Provided by Operating Activities	(6,981)	(20)
Cash Flows From Financing Activities		
Sale of common stock	7,200	--
Net Cash Provided by Operating Activities	7,200	--
Net Increase (Decrease) in cash	219	(20)
Cash at Beginning of Period	87	65
Cash at End of Period	$ 306	$ 45

TRANSAMERICAN PETROLEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS

January 31, 1991
(Unaudited)

1. The Company has never declared dividends on its capital shares.

2. The information furnished reflects all adjustments which are, in the opinion of management, necessary to a fair statement of the results of the interim period for the three months and nine months ended January 31, 1991. The results of operations for the above period are not necessarily indicative of the results to be expected for the year ended April 30, 1991.

3. Income (loss) per share is computed based on the weighted average number of shares during the period.

4. On May 17, 1990, Sacco, Inc. entered into an agreement to acquire 3,775,846 shares of the Company's common stock for $175,000 from Robert K. Schader. Sacco, Inc. did not pay Robert K. Schader $175,000 and thus the 3,775,846 shares of common stock remained with Robert K. Schader.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Due to the low price of oil, low production, high operating costs, and shut ins, the Registrant sold its remaining oil and gas interests. With no income, Transamerican Petroleum Corp. is not in a financially strong position. Currently, there are no material commitments for capital expenditures. Transamerican Petroleum Corp.'s financial position depends on the fluctuating and unpredictable price of oil and finding a new source of investment capital. It is therefore impossible to speculate on the financial future of the company.

PART II

Item 1. Legal Proceedings

There is no litigation pending or threatened by or against the Registrant or any of its properties.

Item 2. Changes in Securities

No changes of rights of security holders have occured.

Item 3. Default Upon Senior Securities

No material default on the part of Registrant has occured.

Item 4. Submission of Matters to a Vote of Security Holders

No meetings of shareholders or voting upon any matter transpired in this quarter.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Due to the low price of oil, low production, high operating costs, and shut ins, the Registrant sold its remaining oil and gas interests. With no income, Transamerican Petroleum Corp. is not in a financially strong position. Currently, there are no material commitments for capital expenditures. Transamerican Petroleum Corp.'s financial position depends on the fluctuating and unpredictable price of oil and finding a new source of investment capital. It is therefore impossible to speculate on the financial future of the company.

PART II

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No material default on the part of Registrant has occured.

Item 4. Submission of Matters to a Vote of Security Holders

No meetings of shareholders or voting upon any matter transpired in this quarter.

Item 5. Other Information

At the Board of Directors Meeting on November 15, 1990, Robert K. Schader was elected Director, President, and Treasurer; D. Bruce Stratton was elected Director, Vice President and Secretary; and Campbell Pearson was elected Director of the Registrant. Mr Lee G. Tipton and Mr. W. Rex Sittner resigned as officers and directors of the Registrant.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Transamerican Petroleum Corporation
(Registrant)

2/28/92
(Date)

(Signature)

2/28/92
(Date)

(Signature)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from __________ to __________

Commission file number 33-32205-A

United Community Banks, Inc. (formerly known as
Union Bancshares, Inc.)
(Exact name of registrant as specified in its charter)

Georgia	58-180-7304
(State of incorporation)	(I.R.S. Employer Identification No.)
P.O. Box 398, Highway 76 Blairsville, Georgia	30512
(Address of principal executive offices)	(Zip Code)

(404) 745-2151
(Telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES XX NO __

Common stock, par value $1 per share: 1,100,106 shares
outstanding as of May 12, 1992

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UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

UNITED COMMUNITY BANKS, INC. & SUBSIDIARIES

Consolidated Balance Sheets

(Unaudited)

March 31, 1992 and December 31, 1991

Assets

	March 31, 1992 (Unaudited)	December 31, 1991 Restated (Note 2)
Cash and due from banks	$ 8,151,316	9,278,962
Federal funds sold	5,028,000	3,246,000
Interest bearing deposits with other banks	2,786,000	3,223,000
Investment securities	65,695,145	61,494,663
Mortgage loans held for resale	455,750	328,500
Loans	187,773,059	180,064,177
Less: Unearned interest	82,143	139,387
Allowance for loan losses	2,197,125	2,091,302
Loans, net	185,493,791	177,833,488
Premises and equipment	5,850,249	5,879,755
Accrued interest receivable	3,381,652	3,595,099
Goodwill	3,493,528	3,531,919
Other assets	2,018,339	1,272,385
	$ 282,353,770	269,683,771

Liabilities and Stockholders' Equity

	March 31, 1992 (Unaudited)	December 31, 1991 Restated (Note 2)
Deposits:		
Demand	$ 15,204,922	14,093,939
Interest-bearing demand	42,820,519	39,176,673
Savings	15,359,172	14,354,073
Time	181,322,323	175,332,273
Total deposits	254,706,936	242,956,958
Accrued expenses and other liabilities	2,061,127	1,980,345
Long-term debt	5,403,000	5,277,263
Convertible subordinated debentures	1,500,000	1,500,000
Total liabilities	263,671,063	251,714,566
Stockholders' equity:		
Common stock, $1 par value; 10,000,000 shares authorized; 1,100,106 shares at March 31, 1992 and 1,090,891 at December 31, 1991 issued and outstanding	1,100,106	1,090,891
Capital surplus	7,063,719	6,977,934
Retained earnings	10,518,882	9,900,380
Total stockholders' equity	18,682,707	17,969,205
	$ 282,353,770	269,683,771

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. & SUBSIDIARIES

Consolidated Statements of Earnings

(Unaudited)

	Three Months Ended March 31,	
	1992	1991 Restated (Note 2)
Interest income:		
Interest and fees on loans	$ 5,127,174	5,109,863
Interest on deposits with other banks	41,794	64,011
Interest on federal funds sold	47,849	81,402
Interest on investment securities:		
U.S. Treasury and U.S. Government agencies	861,584	713,041
State, county and municipal	302,403	287,129
Total interest income	6,380,804	6,255,446
Interest expense:		
Interest on deposits:		
Demand	432,137	430,608
Savings	151,148	137,876
Time	2,991,230	3,292,037
	3,574,515	3,860,521
Long-term debt, subordinated debentures and federal funds purchased	135,039	187,756
Total interest expense	3,709,554	4,048,277
Net interest income	2,671,250	2,207,169
Provision for loan losses	124,500	78,500
Net interest income after provision for loan losses	2,546,750	2,128,669
Other income:		
Service charges and fees	253,419	242,113
Gain on sale of investment securities	18,908	24,126
Miscellaneous	71,787	63,470
Total other income	344,114	329,709
Other expenses:		
Salaries and employee benefits	1,028,486	933,354
Occupancy	222,304	190,523
Other operating	737,613	607,030
Total other expenses	1,988,403	1,730,907
Earnings before income taxes	902,461	727,471
Income taxes	229,136	164,991
Net earnings	$ 673,325	562,480
Net earnings per common share	$ .61	.51
Dividends per common share	$ .05	.05
Weighted average common shares outstanding	1,100,106	1,094,285

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. & SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended March 31,	
	1992	1991 Restated (Note 2)
Cash flows from operating activities:		
Net earnings	$ 673,325	562,480
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, amortization and accretion	226,995	112,215
Provision for loan losses	124,500	78,500
Gain on sale of investment securities	(18,908)	(24,126)
Changes in assets and liabilities:		
Interest receivable	213,447	(10,268)
Interest payable	(106,199)	108,969
Other assets	(686,416)	(380,379)
Accrued expenses and other liabilities	186,981	(153,093)
Increase in mortgage loans held for resale	(127,250)	-
Net cash provided by operating activities	486,475	294,298
Cash flows from investing activities:		
Purchases of investment securities	(10,976,405)	(8,121,105)
Proceeds from sales investment securities	2,134,689	2,690,788
Proceeds from maturities of investment securities	4,580,351	4,479,300
Net change in interest-bearing deposits with other banks	437,000	(303,401)
Net increase in loans	(7,841,069)	(5,188,680)
Proceeds from sales of other real estate	5,000	-
Purchase of bank premises and equipment	(87,579)	(51,355)
Net cash used in investing activities	(11,748,013)	(6,494,453)
Cash flows from financing activities:		
Net increase in demand and savings deposits	5,759,928	106,635
Net increase in time deposits	5,990,050	7,440,444
Proceeds from long-term debt	600,000	-
Repayments of long-term debt	(474,263)	(45,654)
Proceeds from sale of common stock	95,000	-
Dividends paid	(54,823)	(137,324)
Net cash provided by financing activities	11,915,892	7,364,101
Net increase in cash and cash equivalents	654,354	1,163,946
Cash and cash equivalents at beginning of period	12,524,962	11,093,047
Cash and cash equivalents at end of period	$ 13,179,316	12,256,993

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. & SUBSIDIARIES

Consolidated Statements of Cash Flows, continued
(Unaudited)

	Three Months Ended March 31,	
	1992	1991 Restated (Note 2)
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Income taxes	$ 25,000	261,000
Interest	$ 3,815,753	3,939,308
Noncash investing and financing activities:		
Transfer of loans to other real estate	$ 116,766	66,049
Financed sales of other real estate	$ 48,000	77,000
Change in dividends payable	$ -	82,500

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
(Unaudited)

(1) Basis of Presentation

The consolidated financial statements include the accounts of United Community Banks, Inc. (the Company) and its wholly-owned subsidiaries, Union County Bank (UCB), Citizens Bank (Citizens) and Peoples Bank of Fannin County (Fannin). All significant intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial information furnished herein reflects all adjustments which are, in the opinion of management, necessary to present a fair statement of the results of operations and financial position for the periods covered herein.

(2) Business Combination

Effective February 26, 1992, the Company acquired, for 275,106 shares of its $1 par value common stock, all of the outstanding common stock of Fannin Bancshares, Inc., a $52 million commercial bank holding company, located in Blue Ridge, Georgia which owned all of the outstanding common stock of Fannin. The number of shares exchanged for Fannin Bancshares, Inc. stock included 9,215 shares exchanged for Fannin Bancshares, Inc. shares under options which were exercised during 1992 prior to the merger. The acquisition was accounted for as a pooling of interests and accordingly, the consolidated financial statements for all periods presented have been restated to include the financial position and results of operations as if the combination had occurred on January 1, 1991.

The following is a reconciliation of the amounts of net interest income and net earnings previously reported with the restated amounts:

	Three Months Ended March 31	
	1992	1991
Net interest income:		
The Company, as previously reported in 1991	$ 2,148,535	1,762,942
Fannin	522,715	444,227
As restated	$ 2,671,250	2,207,169
Net earnings:		
The Company, as previously reported in 1991	$ 569,198	471,627
Fannin	104,127	90,853
As restated	$ 673,325	562,480

(3) Long-term Debt

Long-term debt is summarized as follows:

	March 31, 1992	December 31, 1991
Note payable to a bank due in annual installments beginning April, 1991 through April, 1999 ranging from $400,000 to $800,000 plus interest payments due quarterly, secured by common stock of UCB and Citizens	$ 5,403,000	4,903,000
9% notes payable in monthly installments of principal and interest of $19,329 through September 1993, secured by common stock of UCB	-	374,263
	$ 5,403,000	5,277,263

The note payable to a bank represents borrowings under a credit facility which provide for advances up to $5,403,000 at the prime interest rate. The loan agreement contains covenants and restrictions pertaining to the maintenance of certain financial ratios, limitations on the incurrence of additional debt, and the declaration of dividends or other capital transactions.

At March 31, 1992, maturities of notes payable for the calendar years ended December 31 are as follows:

1992	$ -
1993	600,000
1994	800,000
1995	800,000
1996	800,000
Thereafter	2,403,000
	$ 5,403,000

(4) Earnings Per Share

Earnings per share amounts are based on the weighted average number of shares outstanding. Fully diluted earnings per share are not presented because the assumed conversion of the subordinated debentures do not result in material dilution.

(5) Proposed Acquisition

On April 24, 1992, the Company entered into an agreement to acquire Mountain Bank (Hiawassee, Georgia). Under the proposed transaction, the Company will pay $2,400,000 for all of the outstanding shares of Mountain Bank using proceeds from borrowings from a correspondent bank. If consummated, the transaction will be accounted for as a purchase. The proposed acquisition is subject to the approval of shareholders owning two-thirds of the outstanding common stock of Mountain Bank and to the approval of the appropriate regulatory authorities.

Condensed financial information for Mountain Bank as of March 31, 1992 and the three months then ended is as follows:

Total assets	$ 15,573,000
Total deposits	14,278,000
Stockholders' equity	1,074,000
Net interest income	105,000
Net earnings	16,000

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For Each of the Three Months in the Periods Ending
March 31, 1992 and 1991

United's 1992 year began with the consummation of the merger with Fannin Bancshares, Inc. (Fannin) on February 26, 1992. Fannin, prior to the merger, was a $52,000,000 one bank holding company which owned all of the outstanding stock of Peoples Bank of Fannin County (Blue Ridge, Georgia). United exchanged 275,106 shares of its $1 par value common stock for all of the outstanding common stock of Fannin. The transaction was accounted for as a pooling of interests and therefore all financial statements presented have been restated from their previously reported amounts to include the combination of United and Fannin as if the merger had occurred on January 1, 1991 to provide the necessary comparability.

Additionally, subsequent to the quarter ended March 31, 1992, United entered into an agreement to purchase Mountain Bank (Mountain), a state chartered commercial bank located in Hiawassee, Georgia. The agreement calls for United to pay $40 per share for all of the outstanding stock (60,000 shares) of Mountain. If consummated, this transaction will be accounted for as a purchase. Consummation is dependent upon the approval of both shareholders of Mountain owning two-thirds of the outstanding common stock and regulatory authorities.

Financial Condition

Total assets at March 31, 1992 were $282,354,000, representing a $12,670,000 (4.7%) increase from December 31, 1991. Deposits increased $11,750,000 (4.8%) from December 31, 1991 and long-term debt increased by a net amount of $126,000 during the first three months of 1992 after repayments of $474,000 and additional borrowings of $600,000 incurred in connection with the merger with Fannin. Loans increased $7,709,000 (4.3%). The allowance for loan losses at March 31, 1992 totalled $2,197,000, representing 1.2% of total loans compared to December 31, 1991 totals of $2,091,000 also representing 1.2% of total loans. The total of nonperforming assets which includes nonaccruing loans, other real estate and loans for which payments are more than 90 days past due declined 38% or $860,000 from $2,270,000 at December 31, 1991 to $1,410,000 at March 31, 1992. Cash and cash equivalents increased $654,000 from December 31, 1991 as deposit increases outpaced loan demand.

Results of Operations

Net interest income increased $464,000 (21%) in the first three months of 1992 compared to the same period for 1991 as interest bearing deposit liabilities repriced faster than interest yielding assets in a declining interest market. Interest income for the first three months of 1992 was $6,380,804, representing an increase of $125,000 (2.0%) over the same period in 1991. This increase was largely attributable to the increased earning asset volume during the first three months of 1992. Interest expense for the first three months of 1992 decreased $339,000 (8.7%) compared to the same period in 1991. This decrease is primarily a result of the lower interest rate environment in the first quarter of 1992 versus the first quarter of 1991.

The provision for loan losses for the first three months of 1992 increased $46,000 compared to the same period for 1991 as anticipated loan charge-offs slightly increased, reflecting what is expected to be the final effects of the general economic downturn. It is management's belief that the allowance for loan losses is adequate to absorb probable loss in the portfolio.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For Each of the Three Months in the Periods Ending
March 31, 1992 and 1991

Results of Operations, continued

Other income increased approximately $14,000 primarily due to an increase in service charges related to a larger volume of deposit accounts in the first quarter of 1992 versus the first quarter of 1991.

Other expenses for the first three months of 1992 increased $257,000 (14%) compared to the first three months in 1991. This increase can primarily be attributed to an increase in salaries resulting from increased staffing together with an increase of $33,000 in premiums paid for FDIC coverage. Additionally, expenses associated with the merger of Fannin have been recognized as incurred consistent with provisions of the pooling of interest method of accounting. Income tax expense expressed as a percentage of income before income taxes increased to 25% in 1992 from 23% in 1991, which is a direct result of decreases in tax-free income relative to total pretax income.

Capital

The following tables present United's regulatory capital position at March 31, 1992:

	Risk-Based Capital Ratios Actual as of March 31, 1992 Using 1992 Rules Amount	 Ratio
	(Dollars in thousands)	
Tier 1 Tangible Capital	$ 15,189	8.09
Tier 1 Tangible Capital minimum requirement	7,507	4.00%
Excess	$ 7,682	4.09%
Total capital	$ 18,886	10.06%
Total Capital minimum requirement	15,014	8.00%
Excess	$ 3,872	2.06%
Risk adjusted assets, net of goodwill and excess allowance	$ 187,681	

	Leverage Ratio Actual as of March 31, 1992 Amount	 Ratio
Tier 1 Tangible Capital to adjusted total assets ("Leverage Ratio")	$ 15,189	5.57%
Proposed minimum leverage requirement	8,176	3.00%
Excess	$ 7,013	2.57%
Average total assets, net of goodwill	$ 272,525	

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits - None

b) Reports on Form 8-K were filed on February 26, 1992 - The following event was reported.

> The acquisition of all the issued and outstanding shares of Fannin Bancshares, Inc. (Blue Ridge, Georgia) by the issuance of .485 shares of the Company's $1 par value common stock for each share of Fannin Bancshares, Inc.

The following financial statements were filed in an amendment on Form 8 to the report filed on Form 8-K on February 26, 1992:

Fannin Bancshares, Inc.:
- Independent Auditors' Report
- Consolidated Balance Sheets of December 31, 1991 and 1990
- Consolidated Statements of Earnings for the Years Ended December 31, 1991, 1990 and 1989
- Consolidated Statements of Cash Flows for the Years Ended December 31, 1991, 1990 and 1989
- Notes to the Consolidated Financial Statements

Proforma Financial Statements of United Community Banks, Inc.:
- Proforma Consolidating Balance Sheet - December 31, 1992
- Proforma Consolidating Statements of Earnings for the years ended December 31, 1991, 1990 and 1989

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED COMMUNITY BANKS, INC.

By: Jimmy Tallent
Jimmy C. Tallent, President
(Principal Executive Officer)

Date: 5-13-92

By: Catherine C. Hamby
Catherine C. Hamby
Controller
(Principal Accounting Officer)

Date: May 13, 1992

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15 (D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarterly Period Ended September 1991

Commission File No. 0-6106

UNITED LEISURE CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Delaware	13-2652243
(State or Other Jurisdiction of Incorporation or Organization)	IRS Employer Identification

8800 Irvine Center Drive, Irvine, California 92718
(Address of Principal Executive Offices)
(Zip Code)

(714) 837-1200
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or Section 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such Reports), and (2) has been subject to such filing requirements for at least the past 90 days.

Yes ✓ No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the least practicable date.

Class	Outstanding at April 22, 1992
Common Stock, par value $.01 per chare	2,665,748

Page 1 of 8 Pages

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UNITED LEISURE CORPORATION AND SUBSIDIARIES

INDEX TO FINANCIAL INFORMATION

Consolidated Balance Sheet
September 30, 1991 and December 31, 1991

Consolidated Statement of Operations
For the three months and nine months ended
September 30, 1991 and September 30, 1990

Consolidated Statement of Cash Flows
September 30, 1991 and September 30, 1990

Management's Discussion and Analysis of Financial
Condition and Results of Operations

PART I - FINANCIAL INFORMATION

UNITED LEISURE CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheet
ASSETS

	SEPT.30, 1991	Dec. 31, 1990
CASH	$ 601,789	$ 158,776
RECEIVABLES	93,379	78,058
PREPAID EXPENSES	5,962	4,005
INVESTMENT in limited partnership at cost	175,000	175,000
PROPERTY AND EQUIPMENT, less accumulated depreciation	114,669	239,742
OTHER ASSETS		
Repurchase of income stream, less accumulated deprecation	162,141	184,251
Loan costs, less accumulated deprecation	8,503	19,007
Restricted cash	407,055	407,055
Other	1,965	1,965
	$1,570,463	$1,267,859
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
LIABILITIES		
Notes payable	$ 330,168	330,168
Accounts payable and accrued expenses	980,610	775,483
Due to Lessor (Note 2)	1,154,940	1,135,562
Due to related party	1,826,731	1,742,260
Deferred revenues	30,563	24,330
Deposits and other	125,275	124,275
	4,448,287	4,132,078
STOCKHOLDERS' DEFICIENCY		
Preferred stock	1,600,000	1,600,000
Common stock	26,657	26,657
Capital in excess of par value	6,786,992	6,786,992
Accumulated deficit	(11,291,473)	(11,277,868)
TOTAL STOCKHOLDERS' DEFICIENCY	(2,877,824)	(2,864,219)
	$1,570,463	$1,267,859

See accompanying Notes to Consolidated Financial Statements

UNITED LEISURE CORPORATION AND SUBSIDIARIES
Consolidated Statement of Operations

	For the three months ended September 30,		For the nine months ended September 30,	
	1991	1990	1991	1990
REVENUES				
Sublease arrangements	$477,388	$421,974	$ 952,364	$ 936,966
Camp admissions	638,988	545,250	696,266	598,833
Other	23,592	22,561	81,930	52,911
Interest income	4,944		4,944	
Total revenues	$1,144,912	$989,785	$1,735,505	$1,588,710
COSTS AND EXPENSES				
Occupancy	611,467	555,361	1,176,615	1,087,967
Selling	16,051	15,327	22,342	20,001
General & administrative	121,564	94,829	262,871	217,195
Interest	50,668	56,887	117,267	138,198
Deprecatioan	45,000	45,000	135,000	135,000
Amortization	10,872	10,872	32,615	32,615
Total costs and exp.	855,622	778,276	1,746,710	1,630,976
NET INCOME (LOSS) BEFORE TAXES	289,290	211,509	(11,205)	(42,266)
PROVISION FOR INCOME TAXES			2,400	3,000
NET INCOME (LOSS)	$ 289,290	$211,509	$(13,605)	$(45,266)
NET INCOME (LOSS) PER SHARE	$ .108	$ .080	$(.005)	$(.017)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	2,665,748	2,665,748	2,665,748	2,665,748

UNITED LEISURE CORPORATION AND SUBSIDIARIES
Consolidated Statement of Cash Flows

	For the nine months ended September 30,	
	1991	1990
CASH FLOWS FROM OPERATION		
Cash received under sublease arrangements	$1,712,951	$1,525,363
Cash paid to lessor, suppliers and employees	(1,240,752)	(1,296,024)
Interest paid	(16,859)	(9,418)
Income taxes paid	(2,400)	(3,000)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	452,940	216,921
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property & equipment	(9,927)	(7,749)
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	9,927	7,749
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from related party		55,000
Principal payments under short and long term debts		(174,809)
NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES		119,809
NET INCREASE (DECREASE) IN CASH	443,013	89,363
CASH BEGINNING OF PERIOD	158,776	5,205
CASH AT END OF PERIOD	$ 601,789	$ 94,568

See accompanying Notes to Consolidated Financial Statements

UNITED LEISURE CORPORATION AND SUBSIDIARIES
Consolidated Statement of Cash Flows - continued

	For the nine months ended September 30, 1991	1990
RECONCILIATION OF NET LOSS TO NET CASH - USED BY OPERATING ACTIVITIES		
Net income (loss)	$(13,605)	$(45,266)
Adjustment to reconcile net loss to net cash used by operating activities		
Depreciation	135,000	135,000
Amortization of intangibles	32,614	32,616
Increase (decrease) in deferred revenues	7,233	39,648
Decrease (increase) in receivable	(15,321)	(102,995)
Decrease (increase) in prepaid expenses	(1,957)	(25,149)
Decrease (increase in other assets		250
Increase (decrease) in accounts payable and accrued expenses	205,127	191,534
Increase (decrease) due to lessor	19,378	(150,592)
Increase due to related party	84,471	141,875
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 452,940	$ 216,921

See accompanying Notes to Consolidated Financial Statements

UNITED LEISURE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The results of interim periods are not necessarily indicative of results to be expected for the year, due to the seasonal nature of the Company's business. In the opinion of the Company, the accompanying consolidated financial statements reflect all adjustments (which are normal recurring adjustments) necessary for a fair presentation of the results for the interim period and the comparable period presented. These condensed financial statements do not purport to be full presentations and do not include all requirements in accordance with generally accepted accounting principles, but include all information required by the instructions to Form 10-Q.

Note 2. Due to Lessor

This matter is in dispute with the landlord, The Irvine Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Revenues for the third quarter increased by approximately $155,000 primarily as a result of higher rentals from the Company's tenants and increased revenues from Camp Frasier Day Camp.

The expenses of the Company increased approximately $80,000 primarily as a result of increased legal fees and additional expenses for Camp Frasier.

The Company continues to devote much of its time and resources to pursuing its lawsuit against its landlord, The Irvine Company. The trial originally set for September 25th, 1991 has been continued. The Company is moving to dismiss the Bankruptcy filing.

PART II - OTHER INFORMATION

No items of Part II are applicable to the Registrant for the period covered by this Quarterly Report on Form 10-Q.

Item 5. Exhibits and Reports of Form 8-k

a) Exhibits

None

b) Reports on Form 8-K

The Company did not file a Current Report on Form 8-K with the Securities and Exchange Commission during the period covered by this Quarterly Report on Form 10-Q.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED LEISURE CORPORATION

Date: 4-27-92

By: Harry

Harry Shuster, Chairman of the Board and Chief Executive Officer

Date: 4·27·92

By: Renate Graf

Renate Graf, Vice President and Controller

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission File No. 0-17887

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UPSILON, INC.
(Exact name of Registrant as specified in its charter)

UTAH	87-0434293
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification

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3760 SOUTH HIGHLAND DRIVE, SUITE 300 SALT LAKE CITY, UTAH	84106
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (801) 272-9282

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding as of May 11, 1992
$.001 PAR VALUE CLASS A COMMON STOCK	1,000,000 SHARES

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UPSILON, INC.
(A Development Stage Company)

Balance Sheet
As of March 31, 1992 and December 31, 1991

ASSETS

	March 31, 1992 (Unaudited)	Dec. 31, 1991 (Audited)
CURRENT ASSETS		
Cash in Bank	$ 0	$ 0
Total Current Assets	0	0
OTHER ASSETS		
Organization Costs (Note 1)	0	0
Total Other Assets	0	0
TOTAL ASSETS	$ 0 ======	$ 0 ======

LIABILITIES & STOCKHOLDER'S EQUITY

	March 31, 1992 (Unaudited)	Dec. 31, 1991 (Audited)
LIABILITIES		
Accounts Payable	$ 0	$ 0
Total Liabilities	0	0
STOCKHOLDERS' EQUITY		
Common Stock 100,000,000 shares authorized, at $0.001 par value; 1,000,000 shares issued and outstanding	1,000	1,000
Capital in excess of par value	1,000	1,000
Deficit accumulated during the development stage	(2,000)	(2,000)
Total Stockholders' Equity	0	0
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 0 ======	$ 0 ======

The accompanying notes are an integral part
of this statement

UPSILON, INC.
(A Development Stage Company)

Statement of Operations
(Unaudited)

	For Three Months Ended	
	March 31, 1992	March 31, 1991
REVENUES	$ 0	$ 0
EXPENSES		
Amortization of organization costs	0	0
NET DEFICIT CURRENT PERIOD	$ 0	$ 0
ACCUMULATED DEFICIT DURING DEVELOPMENT	$(2,000)	$(2,000)
DEFICIT PER SHARE	$ (.00)	$ (.00)

The accompanying notes are an integral part
of this statement

UPSILON, INC.
(A Development Stage Company)

Statement of Cash Flows
(Unaudited)

	For Three Months Ended	
	March 31, 1992	March 31, 1991
Increase (Decrease) in cash:		
Cash Flows from operation activities		
Net (Loss) from operations	$ -0-	$ -0-
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	0	0
Total adjustments	0	0
Net cash used in operating activities	0	0
Cash flows from financing activities		
Proceeds from capitalization	0	0
Net cash provided from financing activities	0	0
Net decrease in cash	0	0
Cash balance March 31, 1991	0	$ 0
Cash balance March 31, 1992	$ 0	

The accompanying notes are an integral part
of this statement

UPSILON, INC.
(A Development Stage Company)

Notes to Financial Statements

Note 1 - Summary of Significant Account Policies

Accounting Methods

The Company recognizes income and expenses based on the accrual method of accounting.

Organization Costs

The Company amortizes its organization cost over a five year period.

Dividend Policy

The Company has not yet adopted any policy regarding payment of dividends.

Income Taxes

The Company records the income tax effect of transactions in the same year that the transactions enter into the determination of income, regardless of when the transactions are recognized for tax purposes. Tax credits are recorded in the year realized. Since the Company has not yet realized income as of the date of this report, no provision for Federal and State taxes has been made.

Note 2 - Development Stage Company

The Company was incorporated under the laws of the State of Utah on April 14, 1986. The Company has been in the development state since incorporation. The Company intends to acquire interests in various business opportunities which, in the opinion of management, will provide a profit to the Company. The Company has no operations nor planned products or services. Additional external financing may be required to proceed with any business plan which may be developed by the Company.

Note 3 - Purchase of Stock by Officers and Directors

On April 14, 1986 the Company sold 1,000,000 shares of its common stock to Capital General Corporation for $2,000 cash for an average consideration of $0.002 per share. The Company's authorized stock includes 100,000,000 shares of common stock at $.001 par value.

UPSILON, INC.
(A Development Stage Company)

Notes to Financial Statements (Continued)

Note 4 - Related Party Transactions

The Company neither owns nor leases any real property. Office services are provided, without charge, by Capital General Corporation. Such costs are immaterial to the financial statements and, accordingly, have not been reflected herein.

The officers and directors of the Company are involved in other business activities and may, in the future, become involved in other business ventures which also seek available business opportunities. If a specific business opportunity becomes available, such persons may face a conflict in selecting between the Company and their other business interests. The Company has formulated no policy for the resolution of such conflicts.

Note 5 - Earnings (Loss) Per Share

Earnings (loss) per share amounts are computed based on the weighted average number of shares actually outstanding of 1,000,000 for 1992 and 1991.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

The Registrant has been in existence since April 14, 1986. It has no operational history and has yet to engage in business of any kind. All risks inherent in a new and inexperienced enterprise are inherent in the Registrant's business. The Registrant has not made a formal study of the economic potential of any business. The Registrant has no assets or business opportunities presently contemplated for acquisition.

The Registrant has no liquidity and no presently available capital resources, such as credit lines, guarantees, etc. and should a merger or acquisition prove unsuccessful, it is possible that the Registrant may be dissolved by the State of Utah for failing to file reports or liquidated by present management.

Based on current economic and regulatory conditions, Management believes that it is possible, if not probable, for a company like the Registrant, without assets or liabilities, to negotiate a merger or acquisition with a viable private company. The opportunity arises principally because of the high legal and accounting fees and the length of time associated with the registration process of "going public". However, should any of these conditions change, it is very possible that there would be little or no economic value for anyone taking over control of the Registrant.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UPSILON, INC.

Dated: May 11, 1992

Krista Castleton, President and Director

THIS SECTION CONTAINS REPORTS FOR 2 DIFFERENT COMPANIES

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OR ~~THE SECU~~RITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

7-7C

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Q-Data Corp. - St. Petersburg, FL

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Commission File No. 0-19086

VICUNA, INC.
(Exact name of Registrant as specified in

NEVADA	**87-0430825**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

3760 SOUTH HIGHLAND DRIVE, SUITE 300
SALT LAKE CITY, UTAH **84106**
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code **(801) 272-9283**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding as of May 11, 1992
$.001 PAR VALUE CLASS A COMMON STOCK	**1,000,000 SHARES**

VICUNA, INC.
(A Development Stage Company)

Balance Sheet
As of March 31, 1992 and December 31, 1991

ASSETS

	March 31, 1992 (Unaudited)	Dec. 31, 1991 (Audited)
CURRENT ASSETS		
Cash in Bank	$ 0	$ 0
Total Current Assets	0	0
OTHER ASSETS		
Organization Costs (Note 1)	0	0
Total Other Assets	0	0
TOTAL ASSETS	$ 0	$ 0

LIABILITIES & STOCKHOLDER'S EQUITY

	March 31, 1992 (Unaudited)	Dec. 31, 1991 (Audited)
LIABILITIES		
Accounts Payable	$ 0	$ 0
Total Liabilities	0	0
STOCKHOLDERS' EQUITY		
Common Stock 25,000,000 shares authorized, at $0.001 par value; 1,000,000 shares issued and outstanding	1,000	1,000
Capital in excess of par value	1,000	1,000
Deficit accumulated during the development stage	(2,000)	(2,000)
Total Stockholders' Equity	0	0
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 0	$ 0

The accompanying notes are an integral part
of this statement

VICUNA, INC.
(A Development Stage Company)

Statement of Operations
(Unaudited)

	For Three Months Ended March 31, 1992	For Three Months Ended March 31, 1991
REVENUES	$ 0	$ 0
EXPENSES		
Amortization of organization costs	0	0
NET DEFICIT CURRENT PERIOD	$ 0	$ 0
ACCUMULATED DEFICIT DURING DEVELOPMENT	$(2,000)	$(2,000)
DEFICIT PER SHARE	$ (.00)	$ (.00)

The accompanying notes are an integral part of this statement

VICUNA, INC.
(A Development Stage Company)

Statement of Cash Flows
(Unaudited)

	For Three Months Ended	
	March 31, 1992	March 31, 1991
Increase (Decrease) in cash:		
Cash Flows from operation activities		
Net (Loss) from operations	$ -0-	$ -0-
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	0	0
Total adjustments	0	0
Net cash used in operating activities	0	0
Cash flows from financing activities		
Proceeds from capitalization	0	0
Net cash provided from financing activities	0	0
Net decrease in cash	0	0
Cash balance March 31, 1991	0	$ 0
Cash balance March 31, 1992	$ 0	

The accompanying notes are an integral part of this statement

VICUNA, INC.
(A Development Stage Company)

Notes to Financial Statements

Note 1 - Summary of Significant Account Policies

Accounting Methods

The Company recognizes income and expenses based on the accrual method of accounting.

Organization Costs

The Company amortizes its organization cost over a five year period.

Dividend Policy

The Company has not yet adopted any policy regarding payment of dividends.

Income Taxes

The Company records the income tax effect of transactions in the same year that the transactions enter into the determination of income, regardless of when the transactions are recognized for tax purposes. Tax credits are recorded in the year realized. Since the Company has not yet realized income as of the date of this report, no provision for Federal and State taxes has been made.

Note 2 - Development Stage Company

The Company was incorporated under the laws of the State of Nevada on July 9, 1986. The Company has been in the development state since incorporation. The Company intends to acquire interests in various business opportunities which, in the opinion of management, will provide a profit to the Company. The Company has no operations nor planned products or services. Additional external financing may be required to proceed with any business plan which may be developed by the Company.

Note 3 - Purchase of Stock by Officers and Directors

On July 9, 1986 the Company sold 1,000,000 shares of its common stock to Capital General Corporation for $2,000 cash for an average consideration of $0.002 per share. The Company's authorized stock includes 25,000,000 shares of common stock at $.001 par value.

Notes to Financial Statements (Continued)

Note 4 - Related Party Transactions

The Company neither owns nor leases any real property. Office services are provided, without charge, by Capital General Corporation. Such costs are immaterial to the financial statements and, accordingly, have not been reflected herein.

The officers and directors of the Company are involved in other business activities and may, in the future, become involved in other business ventures which also seek available business opportunities. If a specific business opportunity becomes available, such persons may face a conflict in selecting between the Company and their other business interests. The Company has formulated no policy for the resolution of such conflicts.

Note 5 - Earnings (Loss) Per Share

Earnings (loss) per share amounts are computed based on the weighted average number of shares actually outstanding of 1,000,000 for 1992 and 1991.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

The Registrant has been in existence since July 9, 1986. It has no operational history and has yet to engage in business of any kind. All risks inherent in a new and inexperienced enterprise are inherent in the Registrant's business. The Registrant has not made a formal study of the economic potential of any business. The Registrant has no assets or business opportunities presently contemplated for acquisition.

The Registrant has no liquidity and no presently available capital resources, such as credit lines, guarantees, etc. and should a merger or acquisition prove unsuccessful, it is possible that the Registrant may be dissolved by the State of Nevada for failing to file reports or liquidated by present management.

Based on current economic and regulatory conditions, Management believes that it is possible, if not probable, for a company like the Registrant, without assets or liabilities, to negotiate a merger or acquisition with a viable private company. The opportunity arises principally because of the high legal and accounting fees and the length of time associated with the registration process of "going public". However, should any of these conditions change, it is very possible that there would be little or no economic value for anyone taking over control of the Registrant.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VICUNA, INC.

Dated: May 11, 1992

Krista Castleton, President and Director

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UNITED STATES
SECURITIES AND EXCHANGE COMMI
Washington, D.C. 20549

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Q-Data Corp. - St. Petersburg, FL

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FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OR THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to ______

BEST COPY AVAILABLE

Commission File No. 0-18731

WHY NOT?, INC.
(Exact name of Registrant as specified in its charter)

UTAH (State or other jurisdiction of incorporation or organization)	87-0430450 (I.R.S. Employer Identification Number)
3760 SOUTH HIGHLAND DRIVE, SUITE 300 SALT LAKE CITY, UTAH (Address of principal executive offices)	84106 (Zip Code)

Registrant's telephone number, including area code (801) 272-9283

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding as of May 11, 1992
$.001 PAR VALUE CLASS A COMMON STOCK	1,000,000 SHARES

WHY NOT?, INC.
(A Development Stage Company)

Balance Sheet
As of March 31, 1992 and December 31, 1991

ASSETS

	March 31, 1992 (Unaudited)	Dec. 31, 1991 (Audited)
CURRENT ASSETS		
Cash in Bank	$ 0	$ 0
Total Current Assets	0	0
OTHER ASSETS		
Organization Costs (Note 1)	0	0
Total Other Assets	0	0
TOTAL ASSETS	$ 0	$ 0

LIABILITIES & STOCKHOLDER'S EQUITY

	March 31, 1992 (Unaudited)	Dec. 31, 1991 (Audited)
LIABILITIES		
Accounts Payable	$ 0	$ 0
Total Liabilities	0	0
STOCKHOLDERS' EQUITY		
Common Stock 100,000,000 shares authorized, at $0.001 par value; 1,000,000 shares issued and outstanding	1,000	1,000
Capital in excess of par value	1,000	1,000
Deficit accumulated during the development stage	(2,000)	(2,000)
Total Stockholders' Equity	0	0
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 0	$ 0

The accompanying notes are an integral part of this statement

WHY NOT?, INC.
(A Development Stage Company)

Statement of Operations
(Unaudited)

	For Three Months Ended	
	March 31, 1992	March 31, 1991
REVENUES	$ 0	$ 0
EXPENSES		
Amortization of organization costs	0	0
NET DEFICIT CURRENT PERIOD	$ 0	$ 0
ACCUMULATED DEFICIT DURING DEVELOPMENT	$(2,000)	$(2,000)
DEFICIT PER SHARE	$ (.00)	$ (.00)

The accompanying notes are an integral part of this statement

WHY NOT?, INC.
(A Development Stage Company)

Statement of Cash Flows
(Unaudited)

	For Three Months Ended	
	March 31, 1992	March 31, 1991
Increase (Decrease) in cash:		
Cash Flows from operation activities		
Net (Loss) from operations	$ -0-	$ -0-
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	0	0
Total adjustments	0	0
Net cash used in operating activities	0	0
Cash flows from financing activities		
Proceeds from capitalization	0	0
Net cash provided from financing activities	0	0
Net decrease in cash	0	0
Cash balance March 31, 1991	0	$ 0
Cash balance March 31, 1992	$ 0	

The accompanying notes are an integral part
of this statement

WHY NOT?, INC.
(A Development Stage Company)

Notes to Financial Statements

Note 1 - Summary of Significant Account Policies

Accounting Methods

The Company recognizes income and expenses based on the accrual method of accounting.

Organization Costs

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Note 2 - Development Stage Company

The Company was incorporated under the laws of the State of Utah on January 7, 1986. The Company has been in the development state since incorporation. The Company intends to acquire interests in various business opportunities which, in the opinion of management, will provide a profit to the Company. The Company has no operations nor planned products or services. Additional external financing may be required to proceed with any business plan which may be developed by the Company.

Note 3 - Purchase of Stock by Officers and Directors

On January 7, 1986 the Company sold 1,000,000 shares of its common stock to Capital General Corporation for $2,000 cash for an average consideration of $0.002 per share. The Company's authorized stock includes 100,000,000 shares of common stock at $.001 par value.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

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Based on current economic and regulatory conditions, Management believes that it is possible, if not probable, for a company like the Registrant, without assets or liabilities, to negotiate a merger or acquisition with a viable private company. The opportunity arises principally because of the high legal and accounting fees and the length of time associated with the registration process of "going public". However, should any of these conditions change, it is very possible that there would be little or no economic value for anyone taking over control of the Registrant.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WHY NOT?, INC.

Dated: May 11, 1992

Krista Castleton, President and Director